WHAT'S WRONG WITH THE OIL STOCKS?

The MAGAZINE of WALL STREET

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EDITED BY

Richard D. Wyckoff

Sixty Important Stocks

Should They Be Bought—Held—Sold

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Can Italy Survive?

By Alberto de Stefani
Former Finance Minister of Italy

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DO LARGE ASSETS LIMIT STOCK PRICE ADVANCES?

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An Announcement of Interest to Our Subscribers

WITH autumn close at hand, we are about to launch some of the most important investment and business articles which have ever appeared. We shall list just a few in order that our readers may gain an idea as to the scope of issues to be published in the next few months.

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TRACING their market history, with an analysis of their position at the time of publication. This is vital data to all investors in foreign securities.

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AN expert analysis of the fundamentals which must be considered in the purchase of this type of security. This article will be published in two parts with a complete list of the most attractive opportunities available.

5) Opportunities in Stocks Which Have Cut or Passed Their Dividends

DURING the past year, a number of companies have been compelled to reduce or omit their dividend payments. These companies are not all necessarily in a weak position. Some of these stocks represent exceedingly attractive possibilities for a long pull. You will find this investment feature of intense and practical interest.

THE MAGAZINE OF WALL STREET this autumn and winter will reach new heights of usefulness to its subscribers and readers. More than ever, you will find its guidance helpful in the growing maze of market intricacies. The Staff of this publication is augmented and in the best position in its history to provide the most efficient investment service obtainable anywhere in this country.

Its editors have not only made comprehensive plans for the future but have set themselves in a position to watch closely for any new investment opportunities which may develop in the near future so that they may promptly be brought to the attention of our readers.

The MAGAZINE of WALL STREET

EDITOR
RICHARD D. WYCKOFF

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INVESTMENT & BUSINESS TREND

Raising the N. Y. Rediscount Rate—the Break in Silver—Business in the Near Future—What of Bonds?—the Market Prospect

THE raising of the New York Federal Reserve Bank's rediscount rate from 3½ to 4% brings all the Federal Reserve banks in line, all the others having been on a 4% basis. The development was not a surprise in view of the extensive increase in demand for funds. With time money on a 4¾% basis and commercial paper at 4¼-4½%, the action of the New York bank was inevitable. There is, however, one interesting aspect of this situation, aside from the increasing need for funds in business, which requires some comment. During the past three weeks, brokers' loans have increased about 130 millions, making a total increase of about 230 millions since last April when stock market prices were at their lowest point. The gain in loans in the past two weeks was especially marked and indicated renewed speculation. Undoubtedly, the Federal Reserve authorities must have considered the possible effect their action would have on the market and the fact that they did not hesitate to raise the rate, which normally should be taken as a warning against continued excessive stock speculation, would indicate that with further wide speculation, they may not even stop at the present rate.

SILVER

THE drastic decline in silver prices has more than passing interest to American investors. The origin of the break may be found in the approaching steps to place India on a gold basis. With India, the world's largest consumer, taking less silver, it is obvious that this prospect would have found reflection, as it did, in the silver market. Of course, India will continue to absorb large quantities of the white metal for ornamental purposes, but this will not suffice to compensate for her partial elimination as a buyer for currency purposes. From a practical investing viewpoint, it seems that earnings of companies of which an important share of revenues are derived from silver production will suffer some contraction. Fortunately, however, a large part of silver production is incidental to lead and copper mining. Hence, the effect on the more important producers of the latter two commodities will not be as marked as might be imagined from the rather severe slump in silver prices. Nevertheless, to the extent to which it places an added disadvantage on silver producers, it is by no means a favorable development, even when regarded from the viewpoint of its least adverse possibilities.

BUSINESS CONDITIONS

THE last few weeks have witnessed a considerable speeding up in activity. Business, generally, is about a month ahead of schedule, summer months usually being dull. Among the more important developments has been the recent tendency toward improvement in the textile industry. Mills are speeding up on production and employment in typical mill centers has started to increase. Stocks of finished materials are low and with low raw cotton

prices, lower labor costs and generally increasing consumption of cotton goods, the future for this industry seems considerably brighter than has been the case for several years. Another industry showing signs of improvement is leather. An interesting development in this connection is that leather substitutes appear to be losing out. Since the increase in leather substitutes has been an important factor in the depression of the leather industry, this is a really important change. Another industry, also depressed for several years and which is commencing to show signs of slight improvement, is sugar. Owing to the plan to cut output in Cuba, the price situation has stabilized somewhat and though it still appears too early to wax enthusiastic, nevertheless it must be recognized that slowly the sugar industry is placing itself in a position to overcome the factors which have heretofore held it back.

Among the basic industries, railroads are doing exceptionally well, only a handful of carriers reporting less business in the first half of the year than for the same period last year. Class 1 roads show a very large percentage of earnings, considerably in excess of their current dividend requirements. Steel conditions are still good and probably will continue so for several months longer. Only building, among the chief industries, indicates a genuine recession. The automobile business is spotted, smaller manufacturers being greatly affected by competition whereas the larger companies are securing the lion's share of the available business.

The position of retail trade is satisfactory, with farming districts, as reported by mail-order houses, showing an increasing interest in consumers' goods. Conditions in urban districts are also good as reported by department stores and chain systems. However, here as in the case of the automobile industry, the small firms are operating at an increasing disadvantage.

THE BOND MARKET

BONDS have suffered somewhat from the greater interest in the stock market, and firming money rates. At the same time, they have held up remarkably well, considering the lack of interest in this part of the investment market. High-grade issues have receded about a point or so on the average, and those less prime in quality have lost possibly two points. During the past few weeks, bonds have shown great stability at the lower prices. Though money rates are expected to continue firm for some time longer, it seems that this prospect has already been more or less discounted in the bond market. It is true, however, that yields on high-grade issues, even on the present lower price basis, are unattractive for ordinary investors. On the other hand, they may find among the slightly lower grade of bonds, some fairly attractive opportunities. The bond market, as with stocks, has now reached a position where discrimination will be required in order to obtain the best results. Those issues which are quite speculative in quality do not offer a suitable vehicle for the investor intent on at least a moderate degree of security for his principal.

MARKET PROSPECT

THE market is going through one of its irregular phases, with the former leaders such as General Motors and U. S. Steel losing a little ground. There have been attempts to induce liquidation but these have not met with great success. A noticeable feature is the comparative strength of the railroad stocks, especially the Northwestern group which is totally out of line and which is favored by improved conditions. Copper stocks have also been firm but speculative enthusiasm for this group is not as yet keen enough to attract a large following. Oils are a disappointment and have relapsed into their more or less customary pose of semi-dormance. Neither the automobile, tire nor accessory groups seem to speculators to offer sufficient inducements. The same generally may be said of mail order and chain store groups though department store stocks have been quite strong. Special issues such as the paper, machinery and baking stocks are more active. All in all, the market is quite spotted and the volume of transactions is somewhat reduced. This, however, is the natural outcome of the steady advance since May. Present irregular tendencies will probably continue but it is unlikely that liquidation on a broad scale will ensue at this juncture. At the same time, it would hardly be advisable to purchase stocks which have already had a wide advance as they are likely to be subject to wide fluctuations, better opportunities existing in those groups and special issues which on intrinsic merit and outlook are palpably undervalued and which have not shared much in the recent advance. In fact, this is one of those market periods in which switching may be done to advantage. In this respect, the security feature appearing on pages 856-859 may prove helpful.

Monday, August 23, 1926

An Exclusive Interview with His Excellency

Alberto de Stefani,

former Finance Minister of Italy

A Frank View of Italy's Outlook

MUSSOLINI

Stormy Petrel of Europe and Creator of a New Order in Italy.

"I AM glad the war debt settlements were effected. Although they have laid a heavy burden upon Italy's economic development and progress, I do not regret that action for one moment. Impartial experts have admitted that the annual contributions to Britain, for instance, were rather high. I repeat, however, it is good for us. There is something beyond the mere payment of the debt; there is the motive which actuated the settlement. We might have secured better terms. But it is not good for great nations to haggle. By this settlement we offered to Europe and America proofs of our goodwill—proofs that the spirit of Fascism was not incompatible with international unity and goodwill. Of course, we had, and we have, budgeted upon receiving reparations from Germany. If Italy had what was due to her, our economic position would be very different."

His Excellency agreed with his interviewer that in the near future possibly reparations and international war debts would have to be reconsidered by all the warring parties. "An international conference on the subject," he added, "will not be called possibly for some years. But farseeing statesmen may one day determine that the happiest way out of the world's economic troubles is by mutual cancellation of all war debts. But," he added, "the lead will come from those rich powers which cannot be accused of self interest."

In reply to a question concerning Italy's territorial expansion in Africa, the former Minister of Finance made the following statement:

"Restrictions on the movements of peoples is one of the world's troubles. Our people are restricted in emigration to the United States, Argentina, Britain and elsewhere. With our population increasing by 400,000 per annum, why should there be any surprise when we seek fresh outlets for our development? Signor Mussolini has studied the problem very deeply. If you compress us in one direction we must expand in another. Thus, Italy turns her eyes to Africa. And why should we not in these circumstances?"

"Does Mussolini understand finance and economics?" was my next question.

"Yes, to an astounding extent. When I was Minister of Finance he would grasp figures and statistics in a way which only a well-trained statistician or economist could appreciate. He bases many of his actions upon statistics and before he undertakes his great feats he is often supplied with copious statistics. His Majesty the King also has the statistical mind. He is always interested in the regimentation of facts and figures to guide him in his actions."

"In short," interposed the interviewer with a smile, "economics are (*Please turn to page* 902)

Do Large Assets Handicap Stocks?

Relation of Assets to Earning Power Questioned—"Good Will" vs. Assets—What the Record Reveals

By GEORGE B. COLLINGWOOD

THIS remarkable analysis should be read by every investor. It discusses the important question of which are the better stocks to hold—those which depend largely on great asset value or those which depend essentially on good will and management. Does it pay the investor to hold the securities of a company which must perpetually reinvest its surplus to maintain its position in the industry? Is the position of companies with little asset value but with large earning power desirable in the long run? These and other vital investment problems are discussed in this penetrating analysis.

THE investor is now presented with still another dilemma. Where formerly he was certain that the more strongly buttressed a stock was in asset value per share, the better its quality, all other things being equal, he now finds this cherished tenet assailed by skeptics. The great success of certain common stocks such as Coca Cola, Kresge and Woolworth which obviously depend either upon good will or management, rather than assets, has made this question important.

From another angle, too, the old tenets are being examined. It has been observed that reinvestment in property, or, in other words, "ploughing back" into the property, in the case of such conspicuous organizations as U. S. Steel, has not resulted in a commensurate increase in earning power. Hence, the adequacy of such gains in book value has been questioned sharply by keen analysts.

So impressive have been the results yielded by initial study of these two aspects of the assets vs. good will controversy that it can be said without much exaggeration that the dissenting view is becoming fashionable, and that many of the ablest critics of investments have gone bag and baggage over to the theory that more profits accrue to the stockholder by gains in earning power shown by companies whose earning power is in effect their be-all and end-all than the stockholder could possibly attain by investing in a concern which must perpetually allocate a large part of its gains to additional investment in its property.

It is precisely, however, when there is a rush to abandon an old idea that the newer concepts should be subjected to the severest examination. For this is no idle question. If the facts indicate that stocks of the Coca Cola species are better investments than stocks of the U. S. Steel type, all investment counsel must be changed. The investor is then being confronted with a dilemma.

It must be seen, however, first whether or not there is really a dilemma, and second, what conclusions may be derived. It is best to begin by stating in full the traditional position in favor of stocks with large assets per share, and the newer viewpoint which favors stocks depending on good will and management. Criticism is possible only after examination of these two distinct viewpoints.

The orthodox viewpoint is definitely that earning power cannot permanently be divorced from the assets background. It is granted that large earning power could sometimes result from advertising, good will, trade name, selling capacity, or even rapid sales turnover, but such activities are looked upon as wholly speculative with great attendant risk, and producing many more failures than would characterize large assets companies. But for assured earning power, which, despite occasional downward fluctuations, would over a decade or so show permanent advance, large assets are unquestionably quite indispensable.

Assets are divided into two sections, on the one hand, plant and inventory, needful for production, and on the other, cash and investments, needful for insurance against bad years. It is not likely that even the most bigoted opponent of large asset values for stock will deny the importance of the second factor. The discussion really centers about the plant and properties account. Plant and properties, and their corollary, raw materials for production, constitute a permanent basis for production. When business is bad, the upkeep of these properties, payment of interest on funded debt issued there against, etc., may temporarily diminish surplus, but they enable a corporation to produce in quantity whenever the market can take their products at a fair price. Hence, they make resumption of earning power surer, whereas, if such assets are lacking, a company which has lost its market or whose products have been eclipsed in popularity may forever be unable to hold its own.

Furthermore, it is held that fluctuations in securities of this class are less violent either way. When earnings are good, they are capitalized similarly to the earnings of corporations without a large assets basis, and when they are bad, the company's capacity for further production in the future, gives some basis to its quotations, whereas the corporation with slight assets commands no confidence and its stock becomes a mere speculation. In other words, it is held that large assets per share cannot diminish earning power seriously, and they constitute an irrevocable basis of intrinsic value.

History is also appealed to in this connection. The slender assets basis for stocks issued led to the death

of many industrial consolidations in the nineties. The assets per share were too small to constitute a basis for enough earning power to take care of the securities issued. While large concerns have been water-logged by the immensity of their assets, it remains true that for each one of such instances there are a multitude of those in which insufficiency of assets ultimately proved fatal to earning power.

Opponents of the theory that large assets are vital, maintain, in the first place, that physical assets may be economically worthless, that is, they may not have an earning power. For example, twenty million dollars in "assets" consisting of carriage making machinery has less than junk value in an age of automobiles. In the second place, they argue, no matter how valuable assets may appear to be today, technical changes can make them obsolete in a short time. Let some process be developed for making steel at far under prevailing costs, and tens of millions in the investments of Bethlehem or Youngstown are no more. In fact, the increasing speed with which technical change takes place, indicates that assets are far from being the permanent things they were once. In the middle ages, when shoes were made in the same way for hundreds of years, tools were valuable so long as they were physically in good shape. Today, machinery is worth-while only until it is superseded. It is further urged that even if the equipment and plants remain excellent, when the demand for their product falls off, their value declines to a fraction. Another criticism is that the alleged low earning power of heavy equipment, etc., precludes stock financing, since the rate of return is so low, and compels a funded debt and that, hence, this is disadvantageous to the stock.

Since the stocks that have little but earning power to their credit, in other words, the so-called good will stocks, need to reinvest relatively little to produce more business it is urged that the compounding of earnings proceeds much faster with them than with such companies as are compelled to reinvest large sums to augment production, and with it, earning power. For example, chain stores such as Woolworth need invest in little but fixtures and a lease, to add to sales, whereas United States Steel must build new mills, blast furnaces, etc. The rate of return, it is held, cannot equal that on the smaller investment of Woolworth, and hence, the Woolworth investment would be compounded much more speedily.

In fact, it is held inadvisable for the low asset corporations to disburse too much in dividends, since they can do more with the money than the stockholder could possibly do for himself in other investments. It is admitted, though, that certain corporations with high earning power are approaching saturation, or rather are limited to an average rate of growth, and in these cases large dividends are wise. It is furthermore asserted that the market places a higher valuation on low asset stocks that are good earners, in proportion to earnings, than it does on high asset stocks that are fairly good earners.

But above all, the charge is made that corporations with large asset value are inelastic. As conditions change, every alteration in methods of production becomes extremely expensive, and as these changes are taking place all the time, a great deal of so-called reinvestment is a real deduction from true earnings. As for companies with small asset value per share, they are in a position to avail themselves speedily of changes in demand.

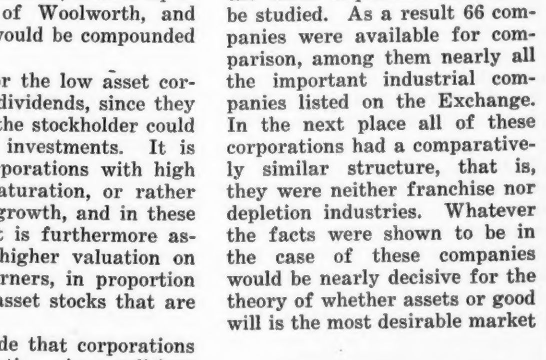
The crowning argument is, of course, the oft-asserted proposition that a low assets corporation must either re-invest in immediate earning power, or accumulate a cash surplus available for distribution to shareholders. Large asset companies, on the other hand, have re-invested in means of production that cannot be disbursed to the shareholders, nor is their immediate earning power sufficiently large to be a compensation for this tie-up of resources.

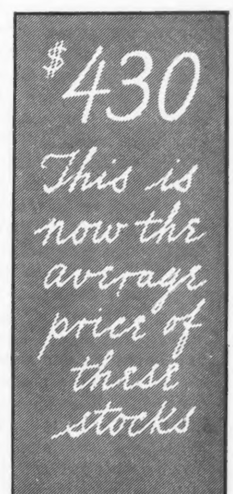
How is the investor to decide between these rival viewpoints? Or must he decide at all? The answer lies in the facts. Financial matters are not in the clouds. They are measured in money values, and the facts are not at all obscure. Before he decides to compare these viewpoints, therefore, it is essential for him to obtain all the relevant information upon which he must act. The data is supplied by the statistician.

But statistics have tricks. Every one knows the old saying that "Figures don't lie, but liars figure," or the remark of the university professor that before he supplied the facts, he wished to know what theory was to be proved by them. This obvious bias has led to all kinds of selected statistics, and selected companies for comparison, all with a view towards bearing out a preconceived conclusion.

For the purpose of this comparison we have used a simple method. Every single industrial stock, listed on the New York Stock Exchange, that was traded in to the extent of 50,000 shares or more in June, 1926, was selected for examination. Railroads and Public Utilties were excluded because their revenues are not a result of competitive prices. Such a concern as the Pullman Company had to be eliminated, for example, because a large part of its revenues is not competitively determined. Mining and Oil companies were eliminated because the factor of capital depletion gives them an altogether different economics from ordinary industrial or commercial enterprises.

By this method, scientific accuracy was assured. Selecting the companies on the basis of number of shares traded in was a selection not based on either assets, market price or earnings, the three important factors to be studied. As a result 66 companies were available for comparison, among them nearly all the important industrial companies listed on the Exchange. In the next place all of these corporations had a comparatively similar structure, that is, they were neither franchise nor depletion industries. Whatever the facts were shown to be in the case of these companies would be nearly decisive for the theory of whether assets or good will is the most desirable market





This shows that where equities of a stock are high in relation to its price, the stock has a basis for a substantial advance, always provided, of course, earnings are ample. While the figure "$430" above applies to the price of 17 selected stocks as of January, 1926, the result if calculated on the basis of today's prices would not be appreciably different.

quality in a stock. This is shown in the large table.

Another set of figures used was also not selected just to prove a theory. In February, THE MAGAZINE OF WALL STREET published an article on the common stocks that had sustained the greatest advance since the depression of 1921. All the industrial companies listed therein were compared for assets and for the relation of assets to their advance in quotations (see table on this page).

Showing Striking Gains in Market Price by Stocks with Large Asset Values

	Market Price January, 1922	Market Price Equivalent Number of Shares January, 1926	Net Tangible Assets per Share January, 1922
American Bank Note ..	57	220	$114
American Can	34	288	160
Amer. Car & Foundry..	145	220	264
American Locomotive ..	108	238	224
American Radiator	85	253	47 (par $25)
American Tobacco	132	230	56
Amer. Steel Foundries..	33	71	52 (par 33.33)
Associated Dry Goods .	54	220	31
Corn Products	93	190	205
Eastman Kodak	635	1,110	412
S. S. Kresge	174	2,006	90
Liggett & Myers	162	344	60
National Biscuit	126	518	92
Otis Elevator	118	260	115
Reynolds Tobacco	38	131	29
Studebaker	83	176	97
Woolworth	140	840	53

The Analytical Tripod

There are three possible angles in the comparison of assets per share, earning power, and market price. The first angle requires comparison of shares, according to the net tangible assets per share in dollars, with the amount earned on the market price. If it is true that good will is valued more than assets, then the lower asset value stocks ought to reveal a lower percentage of earnings to market price than the stocks with large assets per share. If, for example, we find that stocks having low asset value showed earning per share per annum of 7% of their market price, or, in other words, their price was fourteen times their annual earnings, and high asset value stocks showed earnings per share per annum of 10% of their market price, or in other words, their price was only ten times their annual earnings, it would favor the theory that good will was valued more than assets.

But in point of fact, among the thirty-three stocks having the larger asset value per share in dollars, we find earnings per share 9.57% of the market price, and the thirty-three stocks having smaller asset value per share in dollars showed earnings as fully 9.93% of market price. *On the face of it, then, it appears decisive that good will is not valued in the market more than large assets per share.* There are several cautions to be observed here by the critical investor. Market price has to be taken as of some specified time, and we have selected the first half of 1926. It is possible that the use of some other period may show different results. Tests made at random with other quotations in other years, show, however, remarkable conformity with the above results. As a matter of fact, it is not likely that a representative group of companies would show different results.

In order to be perfectly fair, the 66 companies were divided into six groups. The results may be read in the first summary under the large table. The stocks having the largest asset value showed earnings 9.67% of market value. The next group with somewhat less asset value showed earnings as 8.57%, the next two, 10.44% and 10.11%, the two with the smallest asset values, 10.03% and 9.65%. What this irregular set of figures reveals is open to question, but there is one thing it does not reveal, and that is that good will has a market valuation superior to assets.

The second leg of the tripod consists of grouping the 66 stocks, not by assets per share in dollars, but according to assets as per cent of par. For example, National Biscuit, with net assets per share of $41, with a par value of $25, has an asset value 164% of par. *No par* stocks were treated the same as $100 par stocks for the purpose of this classification. The results may be read in the second summary under the large table. They show somewhat different results from the first interpretation. Those stocks whose assets ranged from 278% to 167% of par made the poorest showing, but the best showings were made by the next two groups, and not by the good will groups. Here, too, the figures permit of no definite conclusion.

The third leg of the tripod was purposely chosen in order to test the good will value theory on its own premises. Stocks were ranged in order according to the ratio which their market value bore to their assets. In other words, Coca-Cola having the highest market value in relation to assets per share led the list. Here the good will stocks showed much better results. The lowest asset stocks in proportion to market price showed earnings 8.30% of market price. All in all, this was the best showing, since the average of 6.38% given to the stocks showing the highest proportion of assets to market price, such as U. S. Steel, etc., contained four companies with no earnings at all. This raised the average, and has market significance, but after all is not quite so representative as the very lowest group's showing of 8.30%. But again the intermediate groups are not decisive either way, although the bias is slightly in favor of the good will theory. But the exceptions appear to be numerous, and, what is more, to be inexplicable.

What this considerable body of impartial statistics proves is precisely nothing. But that is not Love's Labor Lost. It merely indicates that catchwords, when brought to the test of facts, are not usually important. The investor will learn much if the learns this.

Two Tables Favor the Assets Theory

Perhaps the most significant of all facts is that in the table on this page. The stocks therein listed are those industrials having had the most striking advance between January, 1922, and January, 1926. Stock dividends and split ups were common among them. This list

(Please turn to page 896)

Sixty-Six Industrial Stocks

Assets, Market Price, Earnings

THE purpose of this table is to show, first the amount of net tangible asset per share, in dollars, also the ratio of market price to such assets, and last of all the percentage each stock earned on its market price. The last two columns are the important items for comparison, as they reveal how the market capitalizes the earnings of companies with large or small asset value per share, and the weight it gives to this factor.

Common Stock	Net Tangible Assets Per Share	Avg. 1926 Market Price Jan.-June Inclusive	$ Per Share Earnings 1925	% Avg. 1926 Market Price to Assets	% Earned on Market Price
U. S. Steel	$278	129	12.86	46	9.96
U. S. Cast Iron	228	180	38.84	78	21.57
Pressed Steel Car	227	37	0.51	16	1.37
Baldwin	227	114	....	50	...
U. S. Rubber	169	69	14.92	41	21.62
U. S. Ind. Alcohol	167	60	6.94	36	11.56
Gen. Electric (old stock)	163	335	20.47	205	6.11
Bethlehem	162	44	5.30	27	12.04
Am. Woolen	158	30	....	19	...
Gulf States Steel	126	77	7.17	61	9.18
Case Threshing	114	88	11.41	76	12.96
Famous Players	106	114	18.39	107	16.12
Am. Locomotive	92	105	....	114	...
Davison Chemical	85	36	....	42	...
Foundation	74	136	10.10	183	7.42
Allied Chem. & Dye	73	124	9.00	170	7.25
Westinghouse Elec.	70	72A	6.55B	102	9.09
White Motors	70	71A	10.55	101	14.85
General Motors	68	130	19.17	191	14.74
Mack Trucks	60	130	12.37	216	9.51
Westinghouse Air Brake	60	118A	8.78	196	7.44
Tobacco Products	57	103	8.11	180	7.87
American Can	57Z	48	2.05	84	4.27
U. S. Realty & Imp.	54	60	8.13C	111	13.55
U. S. Distributing	50	50	6.29	100	12.58
Studebaker	48	54	8.55	112	15.83
Kayser	46	40	5.58	87	13.95
Int. Cement	42	60	7.02	142	11.70
United Alloy Steel	42	28	3.62	67	12.92
National Biscuit	41	86Z	5.79	209	6.73
Stewart Warner	40	80	12.57	200	15.61
Reynolds Tobacco "B"	36	94Z	7.44	261	7.91
Murray Body	35	9	....	24	...
Woolworth	34	178Z	9.46	523	5.31
Armour (Ill.) "A"	33	19Z	2.60	57	13.68
Hudson	32	86	16.07Y	268	18.68
Loew's	30	37	4.43W	123	11.96
Corn Products	29	41Z	2.29	141	5.58
Wright Aero	29	31	2.85	106	9.19
Fisher Body	28	91Z	6.35C	325	6.97
N. Y. Canners	28	58	4.09	207	7.05
Nash Motors	11	59	5.41	536	9.16
Montgomery Ward	25	69M	8.40	276	12.17
Assoc. Dry Goods	24	47	4.73	195	10.06
Simmons	21	46	2.54	219	5.52
Fisk Rubber	21	20	4.26	95	21.30
Gen. Ry. Sig.	19	74	5.05	389	6.82
Hupp Motors	19	22M	4.16	115	18.90
Lorillard	19	39Z	3.77	205	9.66
Int. Comb. Eng.	18	48	1.55	266	3.22
Packard	17	37M	4.84Y	217	13.08
Congoleum-Nairn	15	18	1.12	120	6.22
Marlin Rockwell	15	30	1.14	200	3.80
Willys Overland	13	26G	4.36	200	16.76
Kresge	13	60Z	3.17	475	5.11
Moon Motors	13	28	6.13	215	21.18
Nat. Dairy Products	11	66	6.88	600	10.42
Sears Roebuck	27	49	5.22	181	10.65
Postum	10	100	11.50	1000	11.50
Coca-Cola	10	147	14.47	1470	9.84
Am. Drug. Syn.	10	6M	0.44	60	7.33
Chrysler	9	41	5.51	455	13.43
Radio Corp.	9	40	2.34	444	5.85
Fleischman	8	44	3.07	550	6.99
Pierce-Arrow	...	31	2.27	...	7.32
Ward Baking "B"	...	54	2.18	...	4.18

G—Par $5. M—Par $10. Z—Par $25. A—Par $50. B—Year ending March 31, 1925. C—Year ending April 30, 1925. Y—Year ending Nov. 30, 1925. W—Year ending Aug. 31, 1925.

Recapitulation

Showing That So Called "Goodwill" Stocks Have No Appreciable Advantage in the Market Over "Asset Value" Stocks

Summary I

Group	Assets per share in dollars	Percentage of earnings to market price	Average
Group I. Eleven stocks	$278 to 114	9.67%	9.57% average
" II. " "	106 " 57	8.57%	
" III. " "	57 " 36	10.44%	
" IV. " "	35 " 24	10.11%	9.93% average
" V. " "	21 " 13	10.03%	
" VI. " "	11 " 0	9.65%	

Summary II

Group	Assets in percentage of par value (see text)	Percentage of earnings to market price	Average
Group I. Eleven stocks	$278 to 167	11.83%	9.40% average
" II. " "	164 " 120	8.39%	
" III. " "	116 " 68	8.00%	
" IV. " "	60 " 32	12.01%	10.08% average
" V. " "	30 " 13	8.70%	
" VI. " "	13 " 0	9.55%	

Summary III

Group	Groups arranged in order of % of market price to asset value (see text)	Percentage of earnings to market price	Average
Group I. Eleven stocks	$1470 to 325%	8.30%	9.50% average
" II. " "	276 " 205%	10.42%	
" III. " "	205 " 170%	9.79%	
" IV. " "	142 " 106%	10.74%	9.95% average
" V. " "	102 " 60%	12.73%	
" VI. " "	57 " 16%	6.38%*	

*Including four with no earnings.

Our Capitalistic Unions

Capital and Labor Learning from Each Other—Significance of Diffusion of Wealth Among the Public—A New Era

By GUSTAVUS MYERS

CONTEMPORANEOUS processes so often go on almost imperceptibly that there has been little adequate realization of the vast changes in the administration and control of industry and other corporate property in America in the last few years.

Two great transformations have followed each other. Formerly for a long time industrial ownership was an autocracy. Factory capitalists as well as proprietors of other enterprises asserted the right to dictate their concerns without any regard to the rights of labor or the interests of public welfare. They refused to recognize labor unions or their representatives. This resulted in an antagonism between capital and labor which brought on decades of strikes and other kinds of bitter warfare.

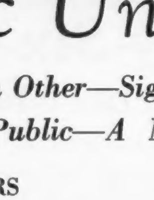
The newer capitalism was either forced to recede from its old position or it voluntarily abandoned autocracy. It not only recognized labor unions but adopted the policy of conferring with their representatives. Employee representation is now a widespread fact. Although strikes still occur, they are not nearly so numerous and costly as in former times, and are not the result of assertions of autocracy but arise from the failure of both sides to agree on wage schedules and working hours.

In recent years the old monopoly of proprietorship has been vanishing. Present conditions and tendencies are radically different from the times when ownership of industrial plants, railroads and other enterprises was confined to a comparatively small group and tenaciously held by it. Under that long-prevailing system employers did not even consider the question of sharing proprietary rights with their working force. They regarded employees as a totally distinct class to whom wages were to be paid but to whom nothing else was to be granted. In the last ten years particularly, this attitude has been wholly reversed. At first the meaning of its initial effects was not clearly seen. But now that its cumulative progress has reached enormous proportions and is constantly widening, the student of industrial conditions can definitely point out the economic revolution through which we have been passing.

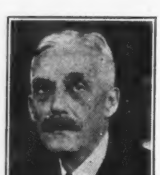
It was recently estimated that 10,000,000 Americans owned stock in corporations. This figure, however, is subject to constant enlargement; no sooner is a computation made than news comes of additional issues of stock by corporations. Large parts of these stock issues have been sold to employees and to others of the general public. Capitalism is no longer a closed institution distinct from the mass of people. It invites participation by both employees and the public, and in turn these are rapidly learning knowledge of capitalism's tools. The present effect of these changes has been to make a large number of workers capitalist-minded and subdue the old aggressive spirit of union labor in general.

But, in turn, new transitions are emerging. Labor unions are beginning to use their economic power in applying capitalist processes to collective group purposes by establishing their own big business enterprises. This principle of collective ownership doubtless presages a wider extension in the future. Now restricted to particular craft unions, it is likely to be elaborated to include associations of unions. Likewise, although the ownership of stock in corporations by employees and the public may at first manifest itself in a selfish view of possession, the resulting psychology is bound to instil a social sense created by the very fact that ownership has ceased to be exclusively capitalist. To the extent of encouraging wide ownership, capitalism has gone far in the direction of becoming social. The motives animating this change are of no historic consequence. The salient fact is that the stage has come when, imperfect as it may be, a social sense has supplanted the old narrow, individualistic policy.

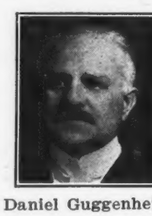
This concept of itself is an immense transformation. The most striking feature is that it has come about as a peaceful, natural, indigenous outgrowth. Nothing less than a powerful influence based upon justice could have brought about such a vast change. Socialist theories and programs have not by any means worked out as the founders of that philosophy expected. But the intrinsic idealism of socialism has had an enormous force in changing old and introducing new ideas. Men such as Samuel Untermeyer opposed to Socialism as a practical agency have testified to the efficacy of its idealism. "Civilization," he said, "owes to Socialism a great debt of gratitude for its idealism and self-sacrifice and for its restraint upon the grosser excesses of capitalism."



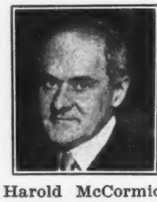
Andrew W. Mellon



Daniel Guggenheim



Harold McCormick



Nicholas Brady

Louis W. Hill

While under the new processes workers have become capitalist-minded, an economic contest is ceaselessly in motion which produces great changes in capitalism itself. On the one hand, we see an industrial working population which by collective action has reached a plane of generally good wages, dressing well, buying its own homes, having money in the bank, running its own motor cars, listening to its own radios and otherwise enjoying securities and comforts. As a class it is constantly rising in the social scale. On the other hand, we observe capitalism rent by the continuing old annihilating rules of the economic contest. Some typical examples will show the inescapable results of this never-ending contest.

When the will of Mrs. John King Van Rensselaer was recently probated in New York City the newspapers dismissed the news with a few lines mentioning that as a descendant of a union of old aristocratic notabilities she had been socially prominent. The significance of the fact that her estate was a paltry few thousand dollars entirely escaped notice.

Had any person a century and a half ago ventured to predict that the time would come when a member of the illustrious Van Rensselaer family would die in a condition of near poverty, he would have been thought irrational. For the Van Rensselaers towered supreme as among the most powerful landed, political and social grandees in America. They possessed a huge domain, originally twenty-four miles long and forty wide, on the west bank of the Hudson River. It had been acquired in 1630 from the Indians by the agents of Kiliaen Van Rensselaer, an Amsterdam pearl merchant, in exchange for a few duffels, axes, knives and some wampum. Coming here he established himself in the lordly style of a Patroon with absolute feudal rights, and amassed a large fortune from the timber and other resources

of his land. Living in splendor, his successors exercised haughty sway. Various members of the Van Rensselaer family occupied high political posts both before and after the American Revolution.

The gradual disintegration of this vast estate was typical of others of that time and is an index to what is now happening to later big American fortunes. Until the Revolution possessors of great estates could manage to keep them fairly intact by force of the old statutes of entail and primogeniture. These laws automatically concentrated property in the same family and in the first born from generation to generation. The abolition of these laws compelled the division of estates among all of the children who could dispose of their shares as they pleased. From the proceeds the landed families contrived for some decades to retain wealth. But slowly and remorselessly, because of their ineptitude, social pretensions and financial follies, their wealth degenerated into remnants. Except for the prestige of a name they became nonentities.

Under our Constitutions, both Federal and State, it would be impossible to effect confiscation of property by law. The economic contest, however, successfully does what law is powerless to do. Between the two processes there is frequently no essential difference. Confiscation of property in various countries has often been followed by its gift or resale to individuals. The economic contest produces the same result by transferring it from one set of owners to another set.

The economic contest is inexorable. Ingenious legal devices have been futile to withstand its consequences. Some founders of great modern American fortunes have confidently believed that by employing shrewd lawyers to bind their estates in the form of trust provisions in wills they could preserve their fortunes as a potent integer for at least some generations.

The fate of the Gould fortune has been another vivid example of the fatuity of trying to establish a permanent family aggrandizement based upon money power. Jay Gould's fortune of more than $80,000,000, amassed by a long career of crafty manipulation, duplicity, bribery and other frauds, was one of the most commanding in America. Controlling 20,000 miles of railroad system, he was popularly dubbed "a railroad king." His overweening aim was to rank as the founder of a financial dynasty which in the persons of his children should retain and extend his possessions.

To insure this end he took the great pains to train his eldest son George J. in the technique of railroad and financial management and left his estate in trust. The one and most essential thing that Jay Gould could not either endow or provide was competence to meet economic contest.

The sequel can be epitomized. One property after another was alienated from Gould ownership. The last remaining Gould railroad—a controlling interest in the St. Louis Southwestern—was sold more than a year ago. A little later the Goulds ceased functioning in the public utilities field when they lost control of the Virginia Railway & Power Company. Court proceedings proved that George Gould had grossly mismanaged the trust fund, causing appalling losses, estimated at $25,000,000. Three decades or so after the founder's death the Gould fortune and power have accordingly dwindled, and the prospect looms that some of his grandchildren may have to work for a living like other mortals. The ten children of George Gould have each inherited more than $1,000,000. Several may possibly take care of their money and perhaps increase it. Others may be caught in the vortex of unwise investment or rush into the whirlpool of speculation, gradually lose everything and then finally take their place in the line of applicants for jobs.

Constantly the economic contest is recruited by the incoming of new men aggressive in spirit and with a keen knowledge of the forces of their time.

Great fortunes founded upon banking are supposed to have a solidity and permanence which commercial enterprises do not have. The belief, even among bankers, is that banking is not exposed to the peculiar vicissitudes attending ordinary business operations, and is, moreover, so restricted by legal requirements that it necessarily must follow safe lines. This belief is a fallacy. As chartered institutions, banks naturally have a longevity not assured to an individual or firm, but in the long run their success or failure is greatly influenced by the conditions of the economic contest.

Contrary to the popular idea this

(*Please turn to page* 878)

Out of the Old Model Into the New

Announcing a New Feature of Great Value to Investors

The Magazine of Wall Street's New Common Stock Price Index

A Real Measure of Stock Market Movements

THIS new index is the result of months' investigation and statistical effort. It gives, we believe, a clearer picture than any of the leading stock market averages in respect to stock market movements. It will be published, as on the opposite page, regularly in each issue of this publication.

MANY of our readers will recall the days, less than two decades ago, when transactions in Reading, Union and Steel accounted for more than half of all sales on the New York Stock Exchange. Then it was a comparatively simple task for the student to compile his own price averages. But the stock market has since broadened so extensively, especially with the rapid increase in new listings since the war, that the performance of a few dozen issues no longer forms an adequate picture of speculative activity as a whole. The problem is further complicated by the growing tendency toward independent group movements. Thus the need for a more representative price index of common stock averages has become so urgent that this magazine has decided to publish one of its own. It is believed that investors will derive from this new feature valuable assistance in determining what class of stocks to select, and when to buy.

The Ideal Index

From an ideal viewpoint, the perfect index would enable one to solve the following problem: "On any given date, let an investor place an equal sum of money in each of all common stocks listed: what will be his profit or loss at any subsequent date?" No price index can ever meet this requirement exactly—even though conditions be simplified by disregarding stock dividends and rights, cash dividends and assessments, new listings and eliminations, margin complications, etc. The very best that can be accomplished is a practical working compromise. A simple illustration will serve to make this clear.

In computing the price index for a given date, one first calculates the percentage ratio of the price of each stock on that date to its price on some previously fixed date—called the "reference date"—then averages these percentages. Suppose there are only two stocks in the group, for instance:

Suppose you buy $1,000 worth of A, and $1,000 worth of B, on date 1—$2,000 worth in all. On date 2, your five shares of A will have a market value of $500, and the 125 shares of B will bring $1,250—$1,750 for the two stocks. Your paper loss on date 2 is thus 12½%; though the price index, which has dropped during the interval from 300 to 225, would indicate a loss of 25%. This failure of the index to reflect the true loss is due largely to the great disparity between the prices and the price movements of the two stocks. We have presented an extreme case to drive the point home; but discrepancies will not be serious in practice, when the index is composed of several hundred issues.

If, however, you invest $1,000 outright in each stock *on the reference date*, the price index *will* serve as an accurate moving record of the relative value of your investment on any and all subsequent dates. We leave this statement for the student to verify.

Our example also serves to explain why the composite price record must be converted into an index, instead of utilizing a simple price average. The method of simple averages would confer undue importance upon so-called "Rich Men's Stocks"; whereas an index makes all stocks equally important, regardless of their respective market prices. Between dates 1 and 2, for example, the simple average fell from 104 to 55—47%—under the dominating influence of stock A, which declined 50%. The index, it is true, reflects a 25% drop in the composite price; but this is due solely to the fact that one stock declined more than the other advanced.

The ensuing description of how our own price index has been constructed will refer to other difficulties that must be surmounted if the averages are to be sufficiently serviceable in practice.

Selecting the Stocks

The question of what stocks to include in the list, and how to group and weight them, is really the crux of the whole subject. It all depends upon what purpose the index is intended to serve. Most of the published averages exclude the low priced stocks, and give undue prominence to high grade and well seasoned issues. The latter are usually selected in the interests of continuity; for statisticians fear to mess up the index with substitutions.

One outcome of the high-grade-issue policy is a gradual upward creep in the averages, over a long period of time, even when rights and stock dividends are omitted from the calculations. An index so constructed cannot be fully representative of the market as a whole, and may at times be quite misleading.

THE MAGAZINE OF WALL STREET'S index *has been constructed to reflect the interests of the individual investor.* That there is a widespread interest in the lower priced stocks is sufficiently evidenced by the considerable volume of transactions in such issues, so we include them along with the others. In selecting our list, the sole criterion has been *activity* as measured by the *volume*

	Reference Date		*Date 1*		*Date 2*	
Stock	Actual Price	% Ratio	Actual Price	% Ratio	Actual Price	% Ratio
A	50	100	200	400	100	200
B	4	100	8	200	10	250
Price Index		100		300		225
Simple Average			104		55	

of transactions. Price has not been taken into consideration. If an index is to be truly representative, it must include the vanquished as well as the victors in the commercial struggle for existence—so long as they are listed, and active.

The influence that the lower priced stocks exert upon the averages becomes rather striking and significant in a market like the present one, which is being led by old-timers with plenty of cash in their treasuries, while companies that are being hard pressed by keen competition lack the vim to participate in the jubilation. For this reason a comparison will disclose that our price index is not at this writing displaying the same degree of buoyancy as that registered by other well known averages. Several of the latter, for example, indicate that the railroads have reached a new high. Our average of 36 railroads has still quite a bit to recover before passing its January peak. But our list includes, among the laggards, Atlanta, Birmingham & Atlantic, a once active issue that is now falling into the waste basket.

It would be interesting, but not feasible, to include all listed stocks in the index. For practical purposes, however, a few hundred of the most active stocks will suffice. Here is the rule we have adopted: *Whenever the transactions in any listed common stock reach 500,000 shares during any calendar year, it is put on our list—and kept there until its annual turnover falls below 100,000 shares.*

The rule is somewhat arbitrary; but has been evolved after careful study of a complete ten-year record of all listed common stocks, together with a less detailed examination of market characteristics as far back as the year 1900. It has the advantage of conferring automatically upon the averages several important characteristics:

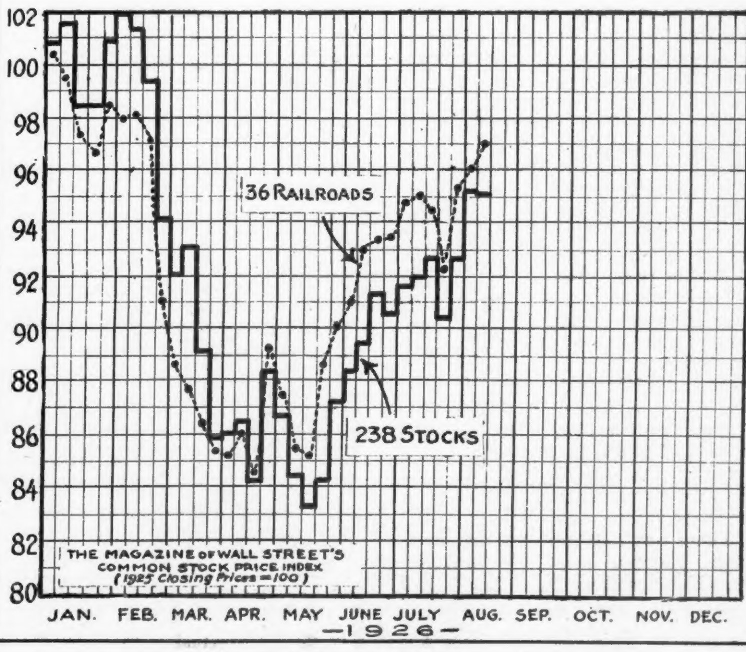
(1) The aggregate volume of transactions in the stocks on our list will always bear a high ratio to the total sales of all listed common stocks. It so happens that the rule has placed 238 issues on our 1926 list, in which the average volume of transactions runs about 80% of total sales on the New York Stock Exchange. Inasmuch as these total sales include dealings in a considerable number of preferred stocks, one would probably be safe in estimating that *our list covers nearly 90% of the total turnover in all listed common stocks.* In future years the number of stocks on our list will change considerably, with a marked tendency to increase; but the index will always cover a high proportion of the total volume.

(2) The selection plays no price favorites. At this writing it covers the full gamut of price—from Dupont, nearly $300; to

(*Please turn to page* 890)

THE MAGAZINE OF WALL STREET'S
COMMON STOCK PRICE INDEX
(1925 Closing Prices = 100)

Number of Issues in Group	Group	1926 High Index	1926 High Date	1926 Low Index	1926 Low Date	Recent Indexes 8-7	Recent Indexes 8-14
238	COMBINED AVERAGE	102.0	2-6	83.2	5-15	95.4	95.1
36	Railroads	100.4	1-2	84.3	4-17	96.0	97.0
4	Agricultural Equipment	111.9	2-13	77.6	5-15	84.5	83.7
2	Alcohol	103.2	1-2	56.6	5-15	78.2	80.4
13	Automobile Accessories	104.4	1-9	78.0	5-15	93.2	86.2
16	Automobiles	104.0	1-9	67.2	5-15	89.1	88.2
4	Building Material	102.7	1-30	75.4	5-15	94.9	97.8
2	Business Equipment	106 2	2-6	82.2	4-17	103.2	104.0
10	Capital Goods	100.9	1-9	75.4	4-17	90.5	90.8
3	Chemicals	111.1	8-14	92.0	4-17	109.2	111.1
3	Containers	110.8	8-7	85.7	4-17	110.8	109.0
10	Copper	114.1	8-7	91.6	4-3	114.1	111.0
3	Department Stores	101.0	1-2	67.6	5-22	79.2	79.3
9	Food	102.8	1-30	70.7	5-22	80.4	80.6
6	General	100.4	8-14	82.6	4-3	99.1	100.4
2	Leather	102.4	2-13	69.3	5-15	72.8	69.8
2	Mail Order	101.6	1-2	75.0	5-15	94.8	93.7
4	Marine	110.8	3-13	78.5	8-14	83.8	78.5
2	Meat Packing	102.6	1-30	69.6	5-22	73.5	76.5
5	Metals	105.7	1-9	78.1	5-22	88.1	88.6
9	Miscellaneous	123.2	8-14	93.9	4-17	122.1	123.2
31	Petroleum	102.3	1-9	86.4	4-17	91.3	90.4
12	Public Utilities	102.0	2-13	82.4	4-17	97.3	95.5
1	Radio	104.2	6-26	78.8	4-17	101.4	100.0
6	Railroad Equipment	100.0	2-2	84.8	3-27	95.2	95.1
1	Real Estate	102.8	2-2	74.3	3-27	91.8	92.0
2	Recreation	110.9	8-7	98.6	1-23	110.9	108.8
6	Rubber	114.3	2-6	66.0	5-29	71.4	70.3
11	Steel	100.6	1-9	78.8	5-15	90.0	90.7
4	Sugar	116.1	2-6	92.5	5-22	102.1	101.8
2	Sulphur	146.4	8-7	100.3	1-9	146,4	146.0
2	Telephone	105.6	6-5	97.3	7-31	99.4	99.2
3	Textiles	104.6	2-6	57.7	5-22	63.3	68.5
9	Tobacco	122.6	8-14	94.5	4-17	119.5	122.6
3	Traction	128.7	5-29	94.0	1-16	117.2	120.8

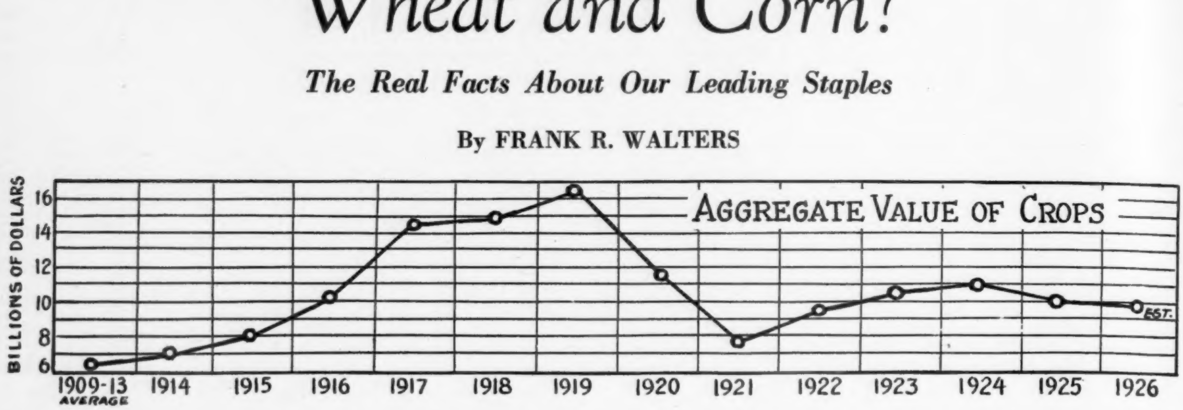


(An unweighted Average of weekly closing prices, specially designed for investors. The 1926 Index includes 238 issues, distributed among 33 leading industries; and covers about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange. It is compensated for stock dividends, rights and assessments; and reflects all important price movements with a high degree of accuracy. Our method of making annual revisions in the list of stocks included, renders it possible to keep the Index abreast with evolutionary changes in the market, without impairing its continuity or introducing cumulative inaccuracies.)

What is the Outlook for Cotton, Wheat and Corn?

The Real Facts About Our Leading Staples

By FRANK R. WALTERS



This analysis is the result of a long investigation into the position of the leading crops. It contains great value to business men as well as to those interested directly in agricultural price movements.

FROM the standpoint of business and prosperity few things transcend in importance the annual yield of agriculture. The crops represent much more than the livelihood of the farmer, vital as they are to him. As direct or indirect factors in nearly every branch of industry and trade, their size and quality are bound to react on the national income. Prosperity or the reverse depends to a great extent on the crops though in later years, this influence has lessened due to the constant increase of industrialization in this country.

Since the crash in commodity prices in 1921, agriculture has made many adjustments; and the lot of the farmer, while still at a disadvantage compared with the industrial worker, is steadily improving, despite all that has been said in discussion during recent proposed legislation. Except in the case of cotton, acreage has been wisely decreased some 5% as the demands of the world centered less on America; yet, over-production still characterizes several of the staples, and prices consequently have fared rather poorly. There are two important factors, however, which are at work as price stabilizers. The first is the increasing tendency toward co-operative marketing, which annually finds wider favor. The second is the improvement in farm credit facilities by means of which the grower can afford to hold his product for the most opportune marketing.

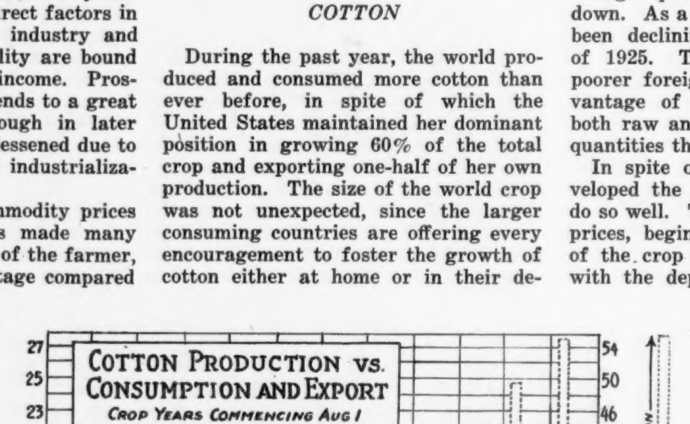
Gross value of crops is maintaining a fair level as shown in the graph at the head of this article. Furthermore, the net cash return to the farmer showed a 3% increase last year. While it is too early, of course, to balance the books of agriculture for this year, with the approach of the harvesting season, it is at least timely to examine crop prospects and their potentialities.

COTTON

During the past year, the world produced and consumed more cotton than ever before, in spite of which the United States maintained her dominant position in growing 60% of the total crop and exporting one-half of her own production. The size of the world crop was not unexpected, since the larger consuming countries are offering every encouragement to foster the growth of cotton either at home or in their dependencies, in order to escape complete submission to the American crop. Considering these circumstances, it is surprising that America was able to export the usual proportion of her own huge crop. The answer lies in the price. Though the 16-million bale domestic crop was abundant, much of it was short staple, and, hence, poorer in quality. Since this type of production is not in great demand at home, it resulted in an exportable surplus of large enough quantities to carry the price down. As a matter of fact, prices have been declining steadily since the fall of 1925. This situation favored the poorer foreign countries who took advantage of the low price, absorbing both raw and finished cotton in larger quantities than heretofore.

In spite of the export business developed the American grower did not do so well. The rapid descent of cotton prices, beginning as soon as the size of the crop became apparent, coupled with the depression in the textile industry, caused him to sell his product in a falling market, receiving on an average, less than eighteen cents, the lowest since 1921. Moreover, the fluctuation in futures was so erratic at to prevent satisfactory protection in hedging. Nothing daunted by these circumstances, and despite well-sounded warnings against over-production, an acreage 7% larger than 1925 was planted this year.

In consideration of the world market for this crop, it is noted that there is no curtailment of planting in other producing countries. Indeed the latest report of the Bureau of Agricultural Economics indicates a slight world increase in acreage of



Here is depicted the annual production of American cotton, its consumption at home and the quantity exported to other countries, including Canada. It will be noted that in spite of the increase in world supply during the past two years, our exports have increased due to the consumption of this commodity by the poorer countries.

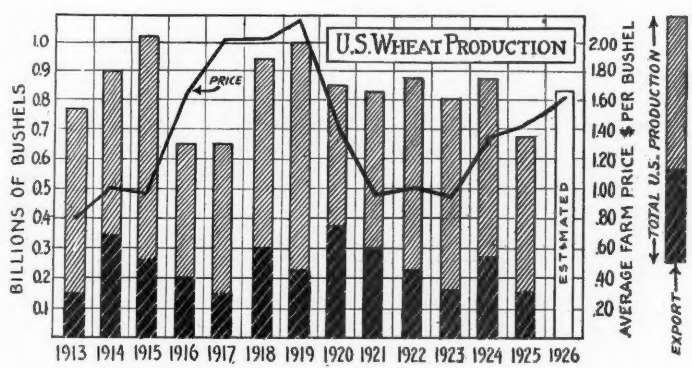
cotton cultivation. Crops are reported in favorable condition in most instances, particularly in Egypt and India, our largest competitors, where production prospects appear equal to last year when these countries produced over 2 million and 5 million bales respectively. Egyptian cotton is the longest staple, finest grade in the world, whereas India, as an important component of the United Kingdom, is a growing factor in the export trade with our largest customer. Asiatic Russia produced nearly 900,000 bales last year, with still greater promise as the agricultural stability of the country improves. Apparently the growing domestic crop will meet ample international competition.

Up to the present time there have been many and widely divergent reports and estimates on the American crop. The weather during the spring and early summer was generally unfavorable, being cool and wet, resulting not only in retarding the plant growth, so as to make the crop about two weeks late, but favoring the growth and inroads of the insect pests, which in the past few years have become of increasing concern, as their depredations have spread from state to state. During the past month, however, the crop has improved materially, and, in spite of early setbacks, promises to be of considerable size. The latest available forecast of the Department of Agriculture at this writing places the figure at 15.62 million bales, compared with 16.1 million of 1925. Other experts do not concur entirely, most of them being somewhat lower, some as much as a million bales. *But granted normal weather conditions during the next critical month, we may conservatively expect a total crop of slightly over 15 million bales.*

It is to be expected that various sections of the country present some rather marked contrasts. Texas is the largest producing state, and being favored with a rich alluvial soil requiring little or no fertilizer, has low production costs. The crop here and in Oklahoma, which is in much the same class, is reported in more satisfactory condition than at this time last year. The grower here will doubtless fare better than on the last crop, when his very short staple brought disastrously low figures. Farther west, where cotton is grown by irrigation, in California and Arizona, the high resulting cost is offset by the yield and quality, which net the largest profit per acre in the country. Reports from this section are most favorable, although the comparatively small output discounts its importance in the aggregate. On the other hand, the growth in the Georgia-South Carolina district is markedly backward as a result of bad weather and insect infestation. In fact this applies to nearly all the states in the South Atlantic group and they have not nearly the prospects of the cotton belt west of the Mississippi.

Assuming the realization of the crop forecast, the American cotton grower will produce a second bumper crop. It must be marketed in the face of large world production, offset to some extent perhaps by increased world consumption. At home there is encouragement in an indicated gradual improvement in the cotton textile industry. In this connection, however, it must be noted that the carryover from 1925 was appreciable and buying, as suggested by the current future market, is restrained in the hope of lower prices. Altogether, large profits are not expected to accrue to many hands, although consumption, which invariably increases after a period of low prices may be looked for as the stabilizer.

As a result of the conditions outlined above, it is anticipated that cotton prices will continue to decline during the next few weeks. The longer-range outlook, however, is dependent on whether textile production and consumption makes a really marked gain. If not, the recovery in cotton prices is likely to be only moderate.



The decline in wheat export, particularly for the last year is a result of Europe's resumption of her full agricultural power and of the increased growing of this cereal in other parts of the world. In accordance with the developing tendency of debtor nations to buy less and sell us more, a continuation of this situation may be expected so long as other sources of the world's breadstuff supply can meet demand.

WHEAT

The position of wheat as the chief breadstuff of the civilized world needs little emphasis. Stimulated by the heavy export demand during the disorganized period of the war, the resumption of full agricultural activity in Europe has changed the complexion of its international trade. While the U. S., broadly speaking, is still the largest wheat exporter, the sharp drop in the quantity sold abroad last year is symptomatic both of world competition and the increased production of cereals elsewhere. The United Kingdom imported from this country, in the year ended June 30, 1925, over 51 million bushels of wheat (flour expressed as grain), and in the same period in 1926, 23 millions, which is evidence of her ability to rely more and more on her dependencies. Purchases from the United States by Italy, Germany, France and other Europeans declined in like manner. Russia in Europe alone last year produced a crop over two-thirds the size of ours, although it was no more than a potential factor in an export sense.

While largely as a result of economic necessity, it has also been the part of wisdom for the American farmer to curtail his acreage in conformity to his market. From a peak in 1919, *the area of wheat cultivation in the United States has decreased more than 30%*, notwithstanding the growth in population. Although it must be recognized that improved methods and favorable conditions have effected a greater yield per acre which has somewhat offset so material a reduction in actual bushels.

As a matter of fact it is reasonably sure that this year's crop will considerably exceed last, as a result of the heavy return of winter wheat, which is now harvested and which surpassed expectations with an estimated yield of 626,000,000 bushels. Whereas spring wheat does not appear so favorable, having been beset with droughts and generally bad weather, it is expected to net over 200,000,000 bushels. Taking all estimates conservatively, present prospects indicate 830,000,000 bushels, total crop.

With a large crop of this size the question of disposal and financial return naturally arises. From the world market standpoint, the outlook is not as dubious as first appears, conditions being somewhat different from last year. Stocks are universally low—in many cases exhausted. Canada, our large producing neighbor has had unfavorable weather with which to contend, and will probably not produce more than three-fourths of her last harvest's volume. Rains in Russia have materially reduced prospects there, and while several other European countries report an apparent sufficiency, as many anticipate a shortage. Even with large returns from Australia and the Argentine, the market is bound to be more open than last year. At home some farmers are already moving winter wheat to market at $1.25 to $1.30 per bushel, which represents a profit of around fifteen cents for those in the principal winter wheat states. Many, however, are holding their stocks for anticipated higher prices, particularly in those states where production costs are slightly higher and do not afford a satisfactory margin at current levels.

The spring wheat farmer has fared worst in South Dakota, where the crop is almost ruined. On the other hand,

in Minnesota, Idaho and the extreme northwest his prospects are nearer normal, and the return generally speaking, should be satisfactory, even on a crop substantially shorter than last year's.

The total wheat carryover from the 1925 crop was 24 million bushels shorter than for the preceding year. Domestic stocks, generally, are low. With consumption showing slightly more than secular growth, indications are for an active home market. This, in conjunction with the temporarily improved export prospects, should insure a profitable disposal of the crop at steady price levels.

CORN

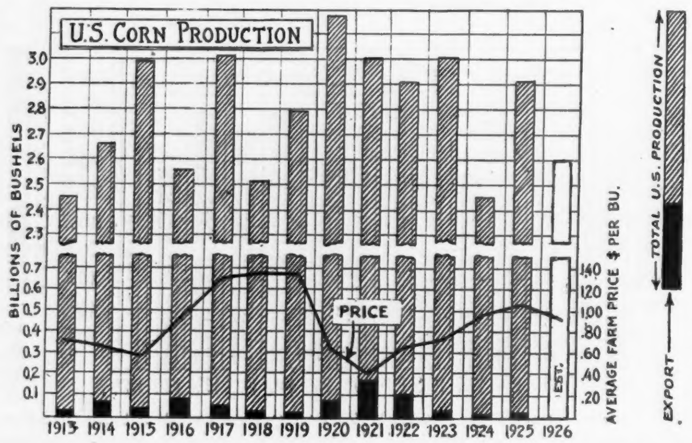
Corn is the great American staple. More acreage is devoted to its production than to any other crop. Its annual harvest, measured in bushels, is more than three times that of wheat, and in money value represented it is the premier farm commodity. Differing from wheat and cotton, it is essentially a product for home consumption, having little international significance in trade, as evidenced in the accompanying graph showing the relatively small amount exported.

Although grown in statistical volume in 46 states, the corn belt produces 60% of the total crop. Diversification of crops in these states has so far not been very successful and corn must continue the principal product of most of the belt farms. Its production is of such constancy and volume as to merit more diversity of consumption. At present it must be marketed as grain or transformed into hogs or cattle. Commercial uses and export combined do not absorb more than 10% of the crop. The production of corn starch, glucose and the newly introduced corn sugar are but indicators of the possibilities which await the further exploitation of this abundant raw material.

In 1925 the corn crop was 2,900 million bushels, which was about 2% above the five-year average. As a result of a relatively large carryover, stocks remained high during the marketing of the crop. The price dropped below the previous year's average, but many farmers were wise enough, and through improved credit were able, to hold back considerable supplies, so averting a crash. Furthermore, in view of the price, extraordinarily large quantities were fed to cattle and hogs, resulting in the latter running heavier than usual at the market and yet in small enough numbers to bring very favorable prices. In short, better profits on the corn were realized through hogs than would have been possible from the actual grain. During 1927 the reverse may be true. Control of the situation depends, in a large measure, on how the farmer adjusts the corn-hog ratio.

The coming crop will, in all probability, be 6% below the average size. Too much dry weather in the middle west brought the crop into August under a handicap, and with the most favorable conditions of heat and moisture from now till harvest, it is doubtful whether the 2,600 million bushels generally estimated can be exceeded. In view, however, of an indicated carryover of close to 180 million bushels an adequate supply is assured and a crop of this size may prove most favorable from the farmer's standpoint, as a safeguard against lower prices, provided no considerable excess of hogs is raised. The invariable tendency is to follow a season of low corn and high hogs with a tremendously increased production of these animals. With an estimate of a 25% increase in Fall farrowing already current indications are that next year will be on exception to this practice. In this case, there exists the danger of corn profits being depleted in a falling hog market in 1927. Moreover, low priced hogs will have a distinctly unfavorable reaction on the packing industry, which is already weak as a result of its recent competitive warfare. Better profits accrue to the packer in a period of high hogs when the spread is greater between raw and finished product.

Condition of the corn crop outside the belt proper is nearly normal, particularly in the south. This is a favorable circumstance since the cost of production is materially higher outside of the belt states, where it averages no more than 55 cents per bushel as opposed to the average for the country of 68 cents. *From these figures it is obvious that the corn belt farmer can profit in a relatively low corn market. It is also noteworthy that the farmer enjoys a wider profit margin on corn than is usually possible on wheat. In consideration of this there is ample ground to expect for him a continuance of his present degree of prosperity.*



The enormous number of bushels involved in each year's corn crop is indicated in this graph. For purposes of comparison it is drawn to the same scale as that for wheat. From the relatively small proportion of export it is evident that corn is essentially an American commodity.

GENERAL OUTLOOK

Crop prospects for oats and hay evidence a decline from last year, particularly in the latter commodity whose drop is close to 12% from the five-year average. From the marked decrease in the number of horses on farms during the past six years, amounting to 20%, it might appear that the drop in these feed crops was intentional. The acreage sown, however, is close to 1925 and the size of the yield must be attributed to nature.

Potatoes have been the center of interest to the trade. In spite of the fact that very satisfactory prices were realized on the short crop last year, particularly in Maine, acreage for the country was increased but 2% this year. Their condition is reported favorable and promises an outturn of 345 million bushels compared to 396 million as a five-year average.

Tobacco is being harvested both in the south and New England at this time, with evidence of good quality but somewhat smaller crop than last year, which was abnormal. Prices show a downward trend which may be disappointing to the grower, especially of the lower grades.

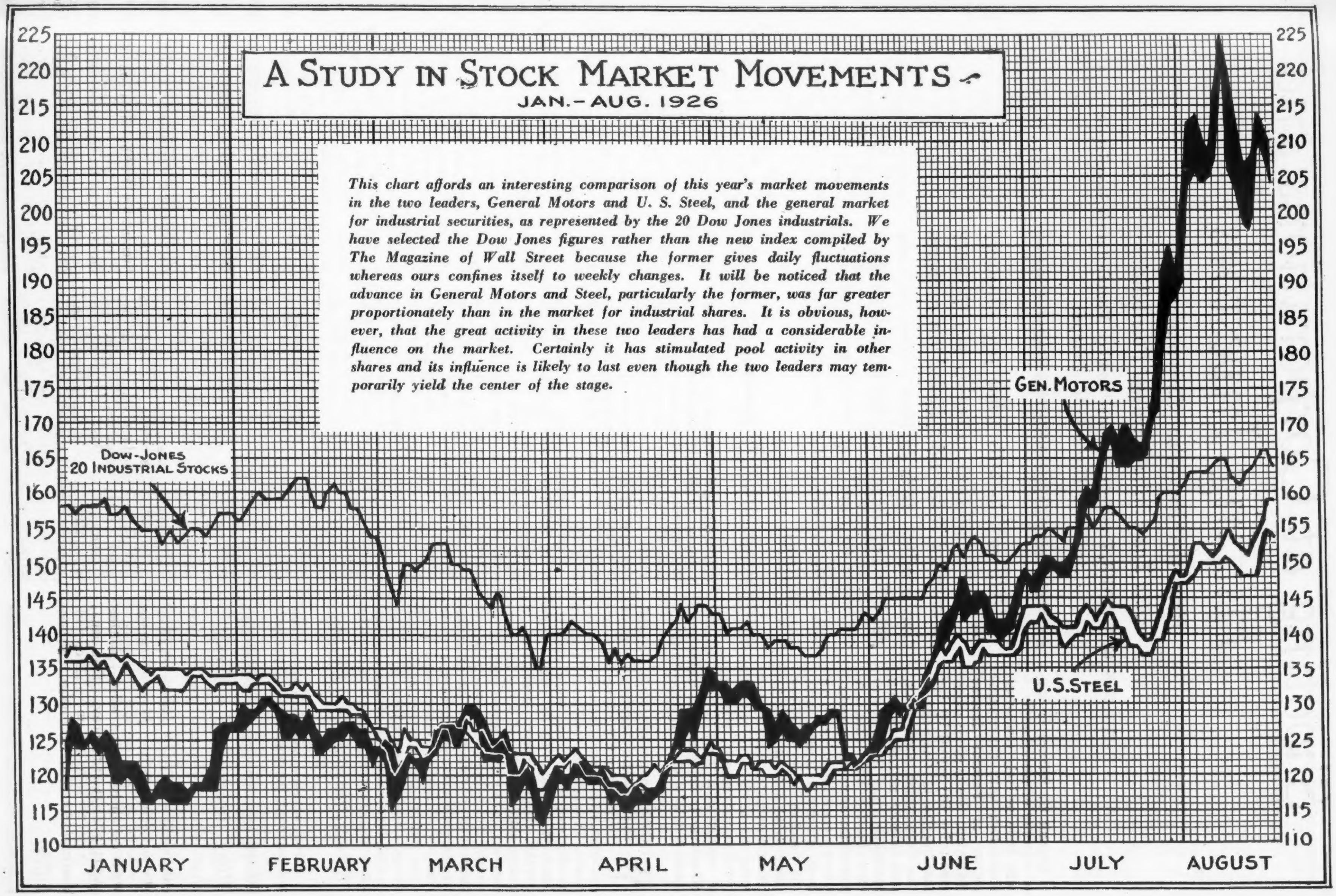
In fruit, it is not too early to announce a banner year. Berries have been plentiful, peaches are moving to markets in heavy volume, and apples are in splendid condition with a prospective large and lucrative crop.

From a national standpoint the agricultural outlook is generally favorable. Balancing optimistic against unfavorable reports and observations, indications are for a crop return comparable in most respects to that of last year's. It is hardly to be expected, however, that prices of farm products will achieve the high post war levels of 1925 in the face of a downward trend in commodity prices. Wheat will face a wider market and should maintain a somewhat higher level than at present, while signs point to higher corn and lower hogs. Cotton presents the only appreciable hazard if stocks become burdensome. The aggregate value of crops may be slightly less than 1925; but not enough to disturb the present tenor of business confidence nor to move the farmer, in view of his improved and wiser marketing, from his present relative prosperity. Altogether the crop situation favors for the time being a continuance of the present active position of trade and industry.

A Study in Stock Market Movements

JAN.—AUG. 1926

This chart affords an interesting comparison of this year's market movements in the two leaders, General Motors and U. S. Steel, and the general market for industrial securities, as represented by the 20 Dow Jones industrials. We have selected the Dow Jones figures rather than the new index compiled by The Magazine of Wall Street because the former gives daily fluctuations whereas ours confines itself to weekly changes. It will be noticed that the advance in General Motors and Steel, particularly the former, was far greater proportionately than in the market for industrial shares. It is obvious, however, that the great activity in these two leaders has had a considerable influence on the market. Certainly it has stimulated pool activity in other shares and its influence is likely to last even though the two leaders may temporarily yield the center of the stage.



Shooting at Corporations and Hitting Investors

How the Excessive Corporation Income Tax Limits Dividend Possibilities

By FRANK G. WISNER, President National Lumber Manufacturers Association

As told to Theodore M. Knappen

(Frank G. Wisner is one of a group of manufacturers who have actively concerned themselves with the rectification of Federal Income Taxation. He is given much credit for the repeal by the last session of Congress of the Corporation Stock Tax, and is now actively urging the reduction of the Corporation Income Tax rate. A committee of seven representative manufacturers has been appointed to deal with the problem. As Congress has created a Joint Committee on Internal Revenue Taxation to study and recommend improvements, owners of stocks now have an opportunity effectively to impress their views upon their members of Congress—EDITOR.)

THIS article tells what few investors know that they in reality pay the very substantial taxes now levied on corporation profits. It is further shown that the net effect of these excessive taxes is to limit earnings as finally reported to shareholders, and, hence, tends to limit dividend possibilities.

WHEN corporations were few and shareholders exceptional persons there arose a myth of the original depravity of such business associations. People who conducted business in the corporate form were suspect. Joint stock corporations, with their limited liability, were considered a rather skulking way of doing business, comparable to hiding behind your wife's name. Not being quite respectable and apparently having ways of amassing wealth that must be crooked because they were often successful—and being quite outside the common man's experience—it became a tradition of politics to fine corporations in divers way and under a picturesque variety of excuses.

Torturing Corporations by Excessive Taxation

When national taxation of incomes was adopted, the politicians of the Federal circle got a chance to join in corporation baiting by taxation torture—that popular sport having theretofore been almost exclusively a states' right. Times have changed and the sport has lost most of its real popularity, except in a few remote communities that have managed to keep off the highways of progress.

But Congress comes up smilingly every two years and re-enacts antique taxation of corporations on a punitive basis. The corporation's income dollar was, of course, an easy and excusable target during the war. The war has been over for eight years and all other forms of war taxation have been abolished or pruned—but the corporations are still paying the war maximum, on the moss-covered theory that their gains are more or less illicit—something like the old saloon licenses. Perhaps also the tax collectors have an idea that it is a relatively painless method of extracting the reluctant tax payments. Probably a lot of people who pay the stiff corporation tax have a simple faith that somehow they don't pay it. It is not a visible item of their personal income taxes—and so they think they don't pay it. It never occurs to them that not only are they paying the corporation tax but that they are paying it hard.

Many investors do not realize that the railroads today pay about as much in taxes as they do in dividends. If their taxes were reduced a little, larger amounts would be available for disbursements to the shareholders.

The maximum federal income tax on corporations stands today at 13½% of net taxable income. That's actually one point more than it was before 1925—but that last increase was offset in the aggregate by the repeal of the tax on capital stock valuation. That means that before dividends can be paid a corporation must hand over to Uncle Sam one-sixth of its net income. Roughly, that means, in turn, that shareholders have one-sixth less for themselves than they would have if there were no federal income tax. From what a person earns by personal service and other sources of personal income the federal tax collector takes from 2 to 4%—short of the sur-tax brackets—of his income; but from what is earned on stock investments the collector takes 13½%.

The victim meekly stands for it because the shearing takes place at the source of the income; he doesn't fully realize that the corporation's treasurer pays the tax from his true dividend and mails him a check for what is left.

Huge Treasury Surplus Could Provide Cut in Corporation Taxes

Imagine what a frantic row there would be if dividends were paid in full and the recipient then paid 13½% of them to the Government. He—one and several—would fiercely demand in the name of all that is just why he should pay 13½% on income from a share and only two or four per cent on the income with which he purchased the share? Why shouldn't the earned dollar invested be treated equally, at least, with the earned dollar spent? If the ten million people who own shares of stock companies should suddenly realize what an enormous discrimination the federal taxing power makes against the corporation dollar—whilst extracting excessive revenues by the hundreds of millions—there would be a natural outcry that would rock the hills.

When some of us were laboring with

Our corporation taxes are still excessive. There should be a downward revision in the interest of business and the investor. Such a cut in taxes is made possible by the large Treasury surplus.

Congress last winter to secure a repeal of the absurd corporation stock tax which arbitrarily mulcted the corporations of about $100,000,000 a year, whether they had net income or net outgo or neither, we were solemnly assured by treasury authorities that the state of the national finances would not permit of a reduction of $100,000,000 in the revenues in view of other reductions that had been determined upon. Convinced of the absurdity and hardship imposed by the stock tax, Congress repealed it—but recouped the alleged precarious revenues by adding another point to the already oppressive and uneconomic corporation income tax. Then came the treasury report for the fiscal year with a surplus of about $400,000,000! And the outlook is for a surplus twice as great in the fiscal year 1926-27. During the last four years federal revenues have been $1,800,000,000 more than expenditures, And taxpayers are still paying top war-taxes on their corporation dividend incomes!

Bring this iniquity home to yourself, O reader! Suppose income and exemptions are such that you have no personal income tax to pay directly but that you have accumulated $10,000 over a period of years and that it is all invested in stocks from which you are receiving $1,000 a year. Actually you are being taxed $156+ a year, on $1,156 + the companies paying the $156 for you. Your rate of taxation is 13.5%. If your $10,000 is in bonds yielding 6%, and you are paying income taxes, your tax bill on your bond interest will be only $24 at the outside—or only 4%; or, if in exempt securities, absolutely nothing. If you happen to have a net taxable income from personal earnings of $1,135 your tax bill will be only $22.70. Why should there be such discriminations? Not only are they indefensible, but a good case could be made for *discriminations in favor* of stock investments.

By far the larger part of all modern producing agencies are in the corporate form. When you tax a corporation's income you are therefore handicapping national production. Instead of taking the golden eggs you are restricting the laying capacity of the goose of the golden eggs. Taxes should not, ideally, be levied on the production of wealth but on wealth distributed for consumption. But for sundry reasons, known of all men, an ideal taxation system is about the last thing the progress of the world will attain. So long as we have an income tax the corporation will be directly taxed, and because it is so much easier to get public revenues from corporations than individuals, they will always be relatively over-taxed.

But why in this period of incredible treasury surplus and tax reduction should the corporations be denied any relief? Only because it appears to be more discreet politically to squeeze corporations and pamper individuals—and that is so only because the taxpayers do not yet realize that they are the corporations. I cannot believe, however, that 10,000,000 intelligent persons—practically all voters—are going to tolerate much longer a rule that every dollar of their corporation-made income shall be taxed from three to six times as much as dollars from other sources. They can not forever be fooled by the device of letting somebody else pay their taxes out of their income before they get it.

It is getting so that the corporations are everybody and everybody is the corporations. When injustice is done to them it is the people rather than the inanimate associations that suffer. There are vast numbers of really very poor people whose maintenance depends in part upon their stockholdings. Stocks make up a large part of estates, and hundreds of thousands of widows and children are dependent upon their income from them. It is these defenseless people that are hardest hit by discriminatory taxation of corporation income. The struggling widow with a family to support on a few thousand dollars a year is compelled to pay as high a rate of income taxation as a vigorous, independent man with an income of $50,000 to $60,000 a year if derived from other sources than dividends.

Facing realities, however hard and unjust, it is now merely being urged that the normal corporation income tax be reduced to 10%, that is, a reduction of about 25%. In the case of most prosperous corporations that could mean a substantial increase in the dividend rate—an increase of the individual stockholder's receivable income.

The corporations are paying federal income taxes of about $1,000,000,000 a year (it may be $1,800,000,000 this fiscal year). Twenty-five per cent of that is $250,000,000 a year. If all of that sum were paid over to stockholders it would be equivalent to an additional 5% dividend on $5,000,000,000 worth of stock or 2% on $12,500,000,000. Of course, some of the saving would be plowed back into business, but a large part of it would go into increased dividends and all of it would make for higher stock values.

To a very large extent all tax money is depletion of capital. Taxes are largely dissipated wealth; they do not breed wealth, they are wealth dissolved. Remitted taxes go into production. This is particularly true of taxes wrung from the mechanism of wealth production, but partly true of taxes remitted to individuals. When you reduce taxation of a corporation you increase the consumable wealth distributed by the corporation, but you also increase its capital, and much of the remission that goes to the individual will also be turned back into production.

It is good national economy as well as individual hardheadedness to reduce the corporation income tax and it will be done if the men and women who are saving for investment will but grasp the fact that it is they who pay the corporation tax.

Your Unknown Taxes

You may not know it but if you are a shareholder in any of these companies—for example—you are paying your proportional part of their federal income tax just as truly *at the rate of 13.5 per cent* as if you signed the tax check instead of the Company treasurer:

Company	Federal Tax 1925	Equivalent Per Share of Common
American Can	$3,000,000†	$1.20
General Motors ...	13,900,000	2.40
Montgomery-Ward .	1,550,000	1.40
Texas Co.	4,500,000	1.00
U. S. Steel	50,900,000	10.00

† Reserve.

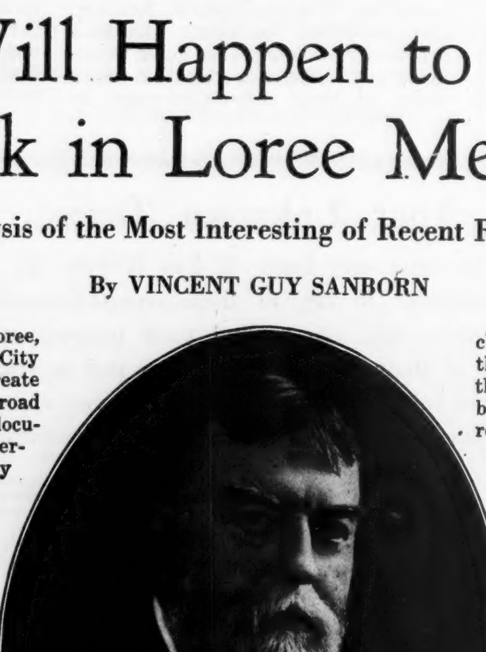
If these taxes were reduced from 13½ to 10% or roughly, a reduction of 25% it would have meant a saving last year of 30 cents a share to American Can; 60 cents a share to Gen. Motors; 35 cents a share to Montgomery-Ward; 25 cents a share to Texas Co; and $2.50 a share to U. S. Steel. Instead of going to the tax collector, these amounts could have been transferred as dividends to the stockholders beyond the amounts which were actually received by them.

Note: We are pleased to announce an article in our next issue by Hon. Hubert Work, Secretary of the Interior. This article reviews comprehensively the condition and outlook for our principal natural resources in a manner which is not only informative in the highest degree but which may be used as a helpful guide in various types of industry.

What Will Happen to Minority Stock in Loree Merger?

An Analysis of the Most Interesting of Recent Rail Mergers

By VINCENT GUY SANBORN



L. F. LOREE

THE application of L. F. Loree, chairman of the Kansas City Southern, for authority to create his 5,800-mile southwestern railroad system already is history. The document which was filed with the Interstate Commerce Commission on July 24, however, indicates that the framework for but half of the structure has been provided. The question of what method will be followed in completing the system is one which holds chief interest for the financial district. Mr. Loree has asked for permission for Kansas City Southern to assume majority stock control of the Missouri-Kansas-Texas. Concurrently, the latter has asked permission to take a similar position with respect to St. Louis Southwestern, or "Cotton Belt," as it is popularly known.

This most carefully prepared application and the fact that thus far no outspoken opposition has arisen from other interests in the Southwest indicates, it is believed in Wall Street, that the application will find favor with the commission. The day is approaching, therefore, when the Loree group must sit down and figure ways and means of taking in the minority stockholdings in the constituent companies.

The application, or applications, to be more exact, are careful to point out that actual consolidation is not the aim of the present move. This, in view of the failure of Congress to pass enabling legislation whereby outright consolidations may be effected, is the wise attitude for the Loree group to adopt. Nothing can be gained from antagonizing a regulatory body which already has given signs of liking its duties under the Transportation Act none too well.

Leaders in the efforts of Kansas City Southern interests to put together the combined system are non-committal regarding the further steps to be taken. This is business for another year, as they say. But Wall Street would not deserve its name if it were not trying to find out the very latest word on the plans for this newest railroad merger.

Possibilities in connection with the consummation of the consolidation divide themselves along two fairly distinct lines. It is conceded that the tightening of the Loree grip on the new system must be accomplished either through a definite offer to the minority stockholders of the constituent roads, a method similar to that adopted when Wabash took over Ann Arbor, or else a rearrangement of the financial structure of the Kansas City Southern which will provide for the exchange of shares of Missouri-Kansas-Texas and St. Louis Southwestern for those of the parent company.

Much talk has been heard about the extent of the Loree holdings in both roads. When the annual meetings of stockholders took place last spring, changes which were brought about in the boards of directors developed that the Loree group had a strong hold on both systems. At that time, it was remarked fairly openly that Loree did not vote the full force of his stock control. Talk of other large blocks held in "friendly hands" was frequently heard. Until the commission rules on the applications it will be unlikely that the Street will find out Loree's exact position. Perhaps he himself is not altogether positive, although support has been forthcoming in impressive quantities whenever needed.

For instance, it is a rare occasion which takes Otto Kahn out to a railroad directors' meeting and yet, the Street remembers that day not so long ago, when Mr. Kahn piled down from a court hearing to attend the "Katy" session. The occasion was a determined fight by the bankers who reorganized Missouri-Kansas-Texas to bring about an increase in the dividend rate from 5 to 7%. Half of the Street appeared convinced that the supporters of the increase would win the day and yet, when the meeting broke up, only the regular dividend was announced. At the following dividend meeting, however, a compromise was effected which resulted in an increase to a 6% rate, which holds at the present time.

To return to the second half of the southwestern railroad drama. The best thought on the subject is that events between now and the time when the commission announces its decision on the Kansas City Southern case will determine the manner in which the minority is treated. Should they find that they have more stock than they expected, the Loree interests may be in a position to offer cash for the outstanding stocks. Too large an outstanding amount naturally would tend toward some sort of an exchange. A further possibility exists, in the event of spirited opposition and that is that no effort will be made to take over the

minority. With a "numerical majority" safely tucked away, L. F. Loree, chairman of the directors of the greater Kansas City Southern, would be in a position to direct the efficient operation of his 5,800 miles of road and at the same time effect a saving of expenses, as he estimates the situation, of some $250,000 a year.

The application for the new Southwestern railroad group was just a week old before a most interesting angle of the situation was uncovered. Kansas City Southern, it was found, is still in the Rock Island picture. When St. Louis-San Francisco engineered the purchase of a substantial block of Rock Island stock, the Street arrived at the perfectly logical conclusion that Mr. Loree had passed out of the Rock Island situation. Prior to that time it was common knowledge that Kansas City Southern had been negotiation for the purchase of the Rock Island's Choctaw division, an east and west line of considerable traffic density in spots.

What was the Street's surprise, therefore, to learn, six months after 'Frisco had moved into the Rock Island that Kansas City Southern, a natural rival of 'Frisco's in the Southwest, was still dickering for the Choctaw line! A mad rush to check up on a seemingly innocuous paragraph in the "Katy" application to take over St. Louis Southwestern resulted in establishing the fact that Kansas City Southern's negotiations for Choctaw antedated the market coup which brought 18% of Rock Island's outstanding stock into the 'Frisco strongbox and further that the negotiations still were on between the Rock Island officials and Kansas City Southern. This new state of affairs offers possibilities for action all the way from armed neutrality to a finish fight opposition.

The prospect of a possible agreement as to a price for the Choctaw line and the submission of a proposition to the Rock Island board which contains three 'Frisco directors is one which tickles Wall Street's fancy. The reported price at which Choctaw will pass is around $80,000,000. Against this, it is understood, will be set up the $2,000,000 or more of profit which the Rock Island made from its purchase and later sale to Kansas City Southern of its stocks in St. Louis Southwestern.

HOLDERS of the Loree Southwestern merger stocks should feel encouraged at the prospect for appreciation in the shares of the constituent companies. L. F. Loree, chairman of the Kansas City Southern and generally regarded as one of the country's most astute operators of transportation facilities, has pledged himself to the creation of a 6,000-mile system which will be in the public interest, will reduce operating expenses and produce a better brand of transportation service.

Estimated earnings of the three Loree companies for the current year show for Kansas City Southern, 13% on the preferred and 6.3% on the common shares; for Missouri-Kansas-Texas, 22.8% on the preferred and 5.10% on the common and for St. Louis Southwestern, 11% on the preferred and 8% on the common. Naturally, any improvement in operating conditions will be reflected in higher earnings for the shares of the several companies.

With approval of the first step in the consolidation safely tucked away and with the new order of things prevailing, stockholders of the three roads should receive favorable and equitable terms for their holdings when the time comes to knit the system even more closely together. Hence, they are advised to continue holding their stocks.

A more involved situation is hard to imagine. Those who have seen Loree set his teeth in other choice bits of railroad mileage in the eastern section of the country are inclined to view a continuation of his efforts to acquire the Choctaw line in the light of a tactical move. As far as can be learned, the agreement which permitted Kansas City Southern to negotiate for the Choctaw never was put down on paper. How far a verbal agreement will hold in a situation where the feeling runs as high as it does in the southwest is problematical. One cannot help but feel the logic behind the suggestion that Mr. Loree might be induced to forget how badly he wants the Choctaw in return for a more definite agreement on the part of "Katy" people that any bowlders which are being rolled toward the edge of the cliff for the purpose of being dumped on unsuspecting Kansas City Southern heads, will be removed from the path of the marching troops.

Kansas City Southern, in its application to the Interstate Commerce Commission, recites that it owns 350,000 shares of the "Katy" common stock. Outstanding is a total of something over a million shares. In the case of "Cotton Belt," Kansas City Southern announces that it holds 135,000 shares of preferred and 20,000 shares of common stock. "Cotton Belt's" outstanding capitalization amounts to a total of about 365,000 shares. Between the actual amount of stock now held and the "numerical majority" of all shares stand a couple of hundred "Katy" shares and some 26,000 shares of "Cotton Belt" stock. Permission from the commission to take over majority stock control probably will result in little more than the transfer of the needed shares to the proper people.

To lighten the load which Kansas City Southern must shoulder in the upbuilding of its system, it asks only for permission to take over "Katy" control. Concurrently, the "Katy" management steps forward and, after reciting an agreement for the transfer of Kansas City Southern's "Cotton Belt" holdings, prays that it be permitted to assume a "numerical majority" of the "Cotton Belt" shares. It was this feature of the application which evoked the most outspoken praise in the financial district. From the start, doubters were frank to express their incredulity that the little Kansas City Southern would have the temerity to assume the ascendency over two larger lines. The move was one of defense as much as offense. Rather than be gobbled up, the Loree contingent opened its collective mouth and did a little gobbling on its own. Now, when the time has arrived to play its hand through to a conclusion, Kansas City Southern makes use of what is regarded as a very cleverly thought out plan to gain its ends—typical Loree finesse, it has been dubbed.

The Kansas City Southern troupe has made itself ready to step out in the Big Time. For an all-around effective stage setting, the back drop of the two applications hardly can be bettered. The plot of the skit is built around the thought that "the race isn't always to the swift."

Note: The next issue will contain a comprehensive review and analysis of the position of the Chicago & Eastern Illinois. The position of this road is unique among coal carriers and investors will find much of interest to them in the analysis of its various securities.

New High for Railroad Earnings in First Six Months

NET operating income for the railroad systems of the country for the month of June reached the record figure of $107,335,654, an increase of 16.5% over June, 1925. June net represents the month's proportion of an annual rate of return of 6.18% on a rate-making valuation of $21,175,000,000 comparing with a return of 5.42% in June, 1925. Figured on the basis of the railroads' book property valuation, the rate of return was 5.49%.

For the first six months, net totalled $494,866,776, an increase of 12.6% over the corresponding period of 1925 and representing an annual rate of return of 5.57% on rate-making valuation.

Gross revenues for the month of June showed an increase of 6.4% over June, 1925, and for the six months an increase of 4.6% over the corresponding period last year.

Many individual roads turned in splendid reports for June. One of the best showings was made by Chesapeake & Ohio, which has reported substantial increases every month this year. Good earnings for C. & O. come in very opportunely at this time in view of the fact that the minority stockholders are fighting for better terms in the proposed Nickel Plate merger. As earnings for the first six months were at the rate of over $30 a share, the minority stockholders have a strong argument to back up their demands.

Missouri Pacific is another system that has shown a consistent increase in earning power so far this year. As earnings are running at the rate of over $14 a share on the preferred stock it would appear that preferred stockholders are now entitled to some return on their investment.

Baltimore & Ohio reported a sharp increase in June net and as its earnings for the preceding five months of the year were very satisfactory, directors appear entirely justified in increasing the dividend. It is good opinion that at least a $6 rate will be voted and there is a possibility that the rate will be made as high as $7.

Other roads that did very well in June include Chicago & Northwestern, New York Central, Southern Pacific, Chicago Great Western and St. Paul.

*Annual Rate of Railroad Earnings Based on the First Six Months of 1926.

The following table gives the annual rate at which railroad earnings are running based on operation for the first six months of 1926 and allowing for seasonal fluctuations of traffic of each individual road.

Road	Net Operating Deficit	% Charges Earned	$ Per Share on Preferred	$ Per Share on Common
Atchison	....	....	....	17.10
Atlantic Coast Line	....	....	....	22.30
Baltimore & Ohio	....	....	....	16.60
Canadian Pacific	....	....	....	13.20
Chesapeake & Ohio	....	....	....	32.00
Chicago & Eastern Illinois	....	47	....	....
Chicago, Rock Island & Pacific	....	....	....	3.30
Chicago Great Western	....	....	2.00	....
Chicago, Milwaukee & St. Paul	....	....	1.50	....
Chicago Northwestern	....	....	....	12.10
Delaware & Hudson	....	....	....	18.00
Delaware, Lackawanna & Western	....	....	....	9.80
Erie	....	....	....	3.50
Great Northern	....	....	....	8.30
Gulf, Mobile & Northern	....	....	¶10.30	....
Illinois Central	....	....	....	12.80
Kansas City Southern	....	....	....	8.30
Lehigh Valley	....	....	....	8.70
Louisville & Nashville	....	....	....	19.30
Minn., St. Paul & S. S. Marie	....	....	....	1.00
Missouri-Kansas-Texas	....	....	....	§3.50
Missouri-Pacific	....	....	†14.60	....
New York, Chicago & St. Louis	....	....	....	18.30
New York Central	....	....	....	**16.50
New York, New Haven & Hartford	....	....	....	6.90
Norfolk & Western	....	....	....	25.30
Northern Pacific	....	....	....	9.50
Pennsylvania	....	....	....	6.80
Pere Marquette	....	....	....	17.00
Reading	....	...	....	10.50
St. Louis-SanFrancisco	....	....	....	17.20
St. Louis Southwestern	....	....	. ..	8.50
Seaboard Air Line	....	....	....	5.70
Southern Pacific	....	....	....	10.90
Southern Railway	....	....	....	17.80
Texas & Pacific	....	....	....	7.10
Union Pacific	....	....	....	13.00
Wabash	....	....	....	‡6.00
Wheeling & Lake Erie	....	....	30.10	....

* Earnings given in this table are not an estimate of the full year's results, but simply indicate the annual rate of earnings for the first six months.

¶ Gulf, Mobile & Northern pfd. is entitled to 6% and there are 22¾% back dividends due. After deducting 6% on the preferred, the balance is equivalent to $4.40 a share on the common.

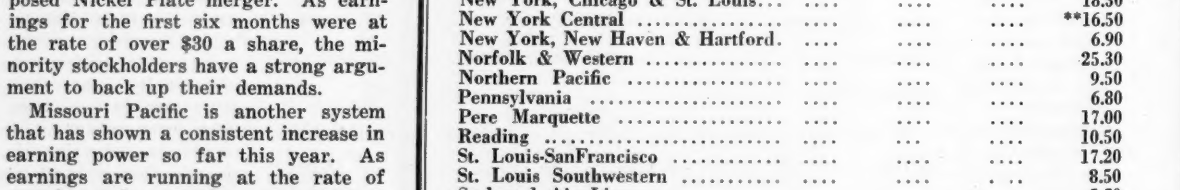
† Missouri Pacific pfd. is entitled to 5% and there are 40% back dividends due. After deducting 5% on preferred, balance is equal to $8.30 a share on common.

§ Missouri-Kansas-Texas pfd. is entitled to 7%. After deducting 7% on pfd. and 7% on the 5% adjustment bonds which are convertible into preferred, the balance is equal to $3.50 a share on common.

** Does not include undivided surplus earnings of controlled lines which, if included, would bring earnings to over $20 a share.

‡ On combined common and preferred stocks.

Summary of Car Loadings



American Railway Association

Can You Average 8% in Bonds?

Suggesting a Method by Which This May Be Done Without Undue Risk—Five Outstanding Opportunities

By LORING DANA, JR.

Two-Year Profit and Income Possibilities in Five Selected Bonds

Showing the prices five bonds are likely to reach in two years and the profit this would mean to purchasers

Bond.	Prevailing price.	Capital invested.	Income received for two years.	Likely price in two years.	What holdings would sell for if price forecast were reached.	Total income and profit in two years.	Average annual return, per cent.
B. M. T. 6s	96½	$1,930	$240	103	$2,060	$370	9.58
Comm. Cred. 6s	98	1,960	240	101	2,020	300	7.65
Nat. Dairy Prod. 6s	97⅜	1,947	240	101	2,020	313	8.01
A. O. Smith 6½s	100½	2,010	260	100½	2,010	260	6.47
Dodge Bros. 6s	95⅞	1,918	240	101	2,020	342	8.91
	....	$9,765	1,220	...	$10,130	$1,585	8.12%

IN the upward curve of bond prices, yields have declined to a point where even bonds not of the best quality often sell to yield as little as 5.25%. In such a market the bond yielding 6%, or over, and still deserving of a better price, is a rare bird indeed. Among bonds that continue to offer so nominally attractive a yield, most are either weak in asset backing or earning power, or, what is worse, have such merits today without the certainty that they will have them in the future. Other 6% yields frequently result from a conjunction of a low call price with a high coupon rate, with the accompanying menace of loss due to refunding, or are priced so as to yield too low a current income, etc. Bonds that combine investment quality, a 6% yield to maturity, a fair current income return, and profit possibilities as well, are down to a corporal's guard or so. We have selected five of the most promising among such bonds, and in an auxiliary table have indicated what profits and current income might accrue to a diversified investment in such bonds, if these were sold in about two years.

BROOKLYN-MANHATTAN

Security "A" 6s, 1968

BROOKLYN-MANHATTAN TRANSIT CORP. is a holding company, whose subsidiary organizations operate subway, elevated and surface lines, principally in the Borough of Brooklyn, the most populous section of New York, with important trunk lines and subsidiary lines in the Boroughs of Manhattan and Queens. Corporation succeeded to the former Brooklyn Rapid Transit Corp., upon termination of its receivership.

Its success in building up earning power within the limits of a five-cent fare is one of the most striking episodes in traction financial history. In consequence, 1925 interest requirement have been earned 1.65 times, and indications are that 1926 interest will have been earned more than 1.75 times. There can be little doubt that continued rapid growth of territories served, and projected extensions of lines will result in an augmentation of revenues over and above interest on such additional securities as may be required to finance such growth. When demonstrated margin of earning power rises to interest earned nearly two times, and prosperity continues over several years, these bonds will sell on a straight investment basis. Should higher fare schedules be adopted, this process will be accelerated, but this more remote contingency is not needful in discussing the future of these bonds.

The size of the issue (92 millions outstanding) precludes fluctuations due to slight variations in demand. The issue is secured by pledge of securities of underlying corporations, whose par value is in excess of 120 millions. There are suitable provisions against any dilution of this security in any future bond issues, either by the holding or collateral companies. Junior equities to this issue, that is preferred and common stock outstanding have a market value of approximately 68 millions. While there are no prior liens of the corporation itself, underlying bonds with prior claims amount to 23 millions.

Brooklyn-Manhattan admittedly has not reached the apex of its earning power. Dependence on increasing traffic, rather than on extensions, has limited its possibilities. The city of New York is obligated to effect such extensions, and, while complete satisfaction in this regard is not likely, any adjustment ought to result in large gains in earning power. Bus competition has not reduced gross revenues, and the bus situation is such that it does not compete with main line traffic appreciably. The corporation itself is likely to become the principal factor in this field.

At 103 *the price predicted for this issue within two years, the yield will still be above the average, and redemption price still in the offing. Hence this forecast appears conservative, and entirely warranted by earnings position of Brooklyn-Manhattan Corp. The price is now* 96.

COMMERCIAL CREDIT

Collateral "A" 6s, 1934

THIS corporation enjoys a prime position among concerns engaged in the purchase of accounts receivable, ac-

ceptances, notes receivable, other drafts, installment accounts, and also automobile time purchase paper. These accounts and documents purchased always bear endorsement of the selling party. The various subsidiary corporations of Commercial Credit Co. operate separately, and are financed separately and the holding company is not liable for their obligations.

This issue, together with an equal amount of 5½% collateral notes, is not subject to prior liens. Company covenants to limit its liability upon all loans to five times times its paid-in capital and surplus, without taking into consideration its investments in subsidiary corporations. This conservative policy, together with the short maturity of obligations purchased, gives exceptional security to the company, at any time. The collateral for these 6% notes of 1934 consist of receivables based upon merchandise sales, none more than 60 days overdue. The trustees, consisting of four important trust companies, are in charge of such collateral. Sinking fund provisions, requiring purchase of 2% of notes outstanding at not over 103 and interest, affords a continuous market for the bonds. Should price of bonds exceed this figure, sinking fund reserves are to be transferred to the company. Junior equities appear to have a market valuation of about 25 millions. This is twice the amount of 5½% and 6% notes outstanding.

Company's gross revenues have risen from 79.3 millions in 1921 to 111.8 in 1922, 170.3 in 1923, 162.8 in 1924, and 262.8 in 1925. Net revenues were 2.9 millions in 1924 and 4.8 millions in 1925.

While the future of installment sales is a subject of much speculation pro and con, it remains true that hitherto they have been a fact and a growing fact. Commercial credit is well known as holding to the very strictest requirements in the field. Its practice has been sound, and its business has shown a steady advancement since 1920 despite all industrial fluctuations. With the growth of regulatory action with reference to installment financing they stand to gain more than most other concerns. It must also be remembered that purchases of receivables, etc., apart from installment sales is a growing business, and that this new form of commercial banking appears to have a considerable future.

Possibly of still larger earnings, and short maturity makes these bonds very desirable. By 1928 *they will in effect become short-term issues, and as such should sell above par.*

NATIONAL DAIRY PRODUCTS

Collateral Trust 6*s*, 1940

ALTHOUGH comparatively a newcomer in the bond list, National Dairy Products collateral 6s, represent a merger of long established and powerful companies engaged in the milk and ice cream business. Among its subsidiaries are such well-known corporations as Sheffield Farms of New York, Supplee-Wills-Jones, the largest distributors of milk in Greater Philadelphia, also important ice cream distributors, the Rieck-McJunkin Co., who occupy a similar position in the Pittsburgh area, and Hydrox of Chicago, who dominate the Chicago Ice Cream market.

This issue is secured by deposit of all stock issues of corporations owned, as also of common stocks of Sheffield Farms Co., and two subsidiaries. Prior liens are few, the subsidiary corporations having outstanding only 4.8 millions, including mortgages. Holding company has no prior liens. Junior equities are valued by the stock market at approximately 75 millions, or five times the amount outstanding of this issue.

Sinking fund provisions require the deposit of $300,000 per annum on this account, or retire at least that amount of notes every year. This will enable at least 60% of the issue to be retired before maturity. This is a favorable factor market-wise and will play a large part as the issue is more seasoned.

Gross business of the consolidated companies has advanced from 71 millions in 1922 to 82 millions in 1923, 88 millions in 1924 and over 105 millions in 1925. Net earnings applicable to these bonds has risen from 2.5 millions to 3.3 millions in that period. The large interest of the business in ice-cream is important in making gains in sales, as the per capita consumption of ice cream is increasing at a rate faster than almost any other commodity. Milk and dairy products on the other hand must experience a much slower rate of growth.

Assured earning power of the holding company over a space of a few years will appreciate the National Dairy collateral 6s to a premium. It has enjoyed an initially good rating and is quoted close to offering price. At the price of 97, *the yield of* 6.30% *is quite attractive.*

DODGE BROTHERS

Convertible Debentures 6*s*, 1940

IN the case of this issue, the conversion feature at times attains great prominence. At writing, the common stock, Class "A" of this company, is quoted at about $34. The original issue of these bonds was 75 millions, and under its provisions, 15.5 millions have been converted into Class "A" stock. Present provisions require $50 conversion figure for the remaining 4.5 millions, of the group of 5 millions that can be presented for conversion at $50. Five millions are to be converted at $60, and a further 5 millions at $70.

While at present, the stock is depressed considerably below $50, and, furthermore, as more bonds are converted into stock, the larger the stock outstanding, and hence the less the possibilities of a gain in quotations, it still remains within the realm of probability that this conversion privilege will be significant in a future upswing of the market. Recent boiling activity in several leading motor stocks has not made this improbable. A slight increase in earnings would make a price of 50 for the stock not illogical, though this may not be for a considerable period.

In computing the likely price the

(*Please turn to page* 894)

Five Attractive High Yield Bonds

Name of Bond	Rate	Maturity	Outstanding (millions)	Prior liens	Interest times earned (1925)	Ratio net assets applicable to bond	Call price	Recent price	Income %	Yield %
Brooklyn-Manhattan Sec. "A"	6	1968	92.7	....	1.65	1.8	105	96½	6.22	6.24
Commercial Credit Coll. "A"	6	1934	4.8	....	2.93	4.0	105	98	6.12	6.31
National Dairy Products Coll	6	1940	15.0	....	4.67	2.2	103½	97⅜	6.16	6.30
A. O. Smith Corp.	6½	1933	4.6	....	4.70	2.9	102	100½	6.47	6.41
Dodge Bros. Debenture Conv.	6	1940	59.5	....	9.67	1.6	110	95⅞	6.27	6.45

Bonds

Market Sluggish Due to Firmer Money Rates

ALMOST all the various bond groups are semi-dormant, as a result in part of transference of interest from the bond to the stock market, and, in part to the higher money rates now prevailing. The raising of the New York Federal Reserve rediscount rate to 4% clearly heralds a period of firm money rates, a condition which is likely to prevail until the end of September. This situation combines to reduce the volume of transactions to a relatively nominal point.

Fluctuations are merely fractional. The bond market seems to have already discounted the higher money rate market as reflected in the price of gilt-edge issues which are always susceptible to money market conditions and which are now off about a point or so from their highest level of the year. It is noticed, however, that large institutions are not selling in quantity and, hence, it may be reasoned that they are viewing the situation from a long-range standpoint, which is to say that they believe money rates will decline in two or three months and that sound issues will sooner or later discount this situation.

Foreign Issues

Foreign issues were slightly more active than the rest of the list. German General Electric 6½s had a pronounced advance to 112 on a large turnover. Belgian 8s gained a point, but French issues lost a little ground. Mexican bonds were weak, owing to the religious controversy. Generally, however, prices were not much changed.

High-grade issues showed fractional changes, mostly small losses. An exception was B. & O. ref. 5s, carried in the Guide, which advanced over a point. Beth. Steel purchase money 5s were also strong and advanced a point, in sympathy with strength in the common shares.

Market Quiet—A Few Exceptions Noted

Conditions of quiet prevailed in the less high-grade division. Several exceptions were the Spokane Int'l 1st 5s which advanced several points. This issue is carried in the Guide. Republic Iron & Steel ref. 5½s were exceptionally strong and advanced to 99 against a recent price of 96. Indiana Natural Gas 5s, which are behind the market, advanced from 97 to 98.

It seems reasonable to anticipate that present dull conditions in the bond market will not vary greatly in the next few weeks. For investors, however, who are not concerned with short-term fluctuations there are still attractive opportunities now available at prices probably lower than those which are likely to come about toward the end of autumn.

Bond Buyer's Guide

Bonds for Income Primarily

GOVERNMENT ISSUES	Amount Issue (Millions)	Prior Liens (Millions)	Times Interest Earned on all debt	Price	Current Income	Yield to Maturity
Argentine 6s, 1959 ....(a)..	44.8	....	...	99	6.06	6.07
Dominican Rep. 5½s, 1942.........(a)..	6.7	6.4	...	97¼	5.65	5.82
Haiti 6s, 1952 ....(b)..	15.6	....	...	98½	6.08	6.12
Panama 5½s, 1953 ....(a)..	4.4	....	...	102¾	5.32	5.30
RAILROAD ISSUES						
Baltimore & Ohio, Ref. 5s, 1995...(a)..	60.0	284.0	1.44	98	5.10	5.08
Ogdensburg & Lake Champlain 1st 4s, 1948	4.4	....	1.91	79½	5.03	5.64
Genesee Riv., 1st 6s, 1957......... ..	5.7	....	1.44	109¾	5.48	5.36
Great Northern, Gen. 7s, 1936......(b).	115.0	139.8	2.75	113⅛	6.17	5.25
Kan. City Sou. Ref. & Imp. 5s, '50. ..	18.0	30.0	2.07	97⅜	5.12	5.17
Ky. & Ind. Term., 1st 4½s, 1961.. ..	5.1	....	X	88¾	5.07	5.20
Minn., St. P. & Sault 6½s, 1931.... ..	10.0	74.6	1.16	103	6.31	5.80
M-K-T, P. L. 5s, 1962.............(b)..	36.6	31.3	1.69	101	4.95	4.94
Missouri Pac., 1st & Ref. 6s, 1949.(a)..	24.1	126.3	1.24	104¾	5.73	5.62
N. Y., O. & W., Ref. 4s, 1992...... ..	20.0	....	1.29	74	5.44	5.50
Rutland, 1st 4½s, 1941............ ..	3.5	....	1.80	91	4.94	5.35
San Antonio & Aransas Pass. 1st 4s, 1943	17.5	....	2.63	87¼	4.59	5.10
Western Pacific, 1st 5s, 1946.......(b)..	27.8	....	2.26	99⅛	5.05	5.10
PUBLIC UTILITIES						
Am. W. W. & Elec. Coll. 5s. 1934..(b)..	12.7	....	1.32	97¾	5.07	5.30
Commonwealth Power 6s, 1947.....(b)..	10.1	....	4.28	105½	5.68	5.55
Hudson & Manhatatn, Ref. 5s, 1957.(b)..	37.5	5.6	1.98	96⅛	5.20	5.36
Kansas Gas & El. 1st 6s, 1952.....(a)..	14.0	....	1.71	105½	5.68	5.60
Laclede Gas, C. & R. 5½s, 1953...(b)..	17.5	10.0	1.58	103½	5.30	5.25
New York Dock, 1st 4s, 1951.......(a)..	12.5	....	2.73	82¾	4.81	5.25
New York Edison, 1st 6½s. 1941..(a)..	30.0	38.0	3.71	115¼	5.65	5.05
Ohio Pub. Ser., 1st & Ref. 7s, '47..(b)..	3.7	4.0	2.61	113	6.20	5.90
United Fuel Gas, 1st 6s, 1936.....(a)..	9.5	....	5.72	103⅜	5.80	5.53
Western Union, 6½s. 1936........(a)..	15.0	20.0	11.20	111¼	5.85	4.98
INDUSTRIALS						
Am. Smelting & Ref., 6s, 1947.....(a)..	9.6	....	4.92	108	5.56	5.36
Anaconda, 1st 6s, 1953.............(a)..	105.5	16.9	1.34	103¾	5.77	5.71
Bethlehem Steel, P. M. 5s, 1936.... ..	22.2	5.1	2.20	98	5.10	5.25
Central Steel, 1st 8s, 1941...........(b)..	4.5	....	4.90	120	6.67	6.00
Goodrich, B. F., Co., 1st 6½s, 1947 ....(a)..	22.7	....	5.35	106¼	6.11	6.01
Hershey Choc., 1st Coll. 5½s, 1940.(a)..	19.3	....	5.18	101⅞	5.37	5.34
Int. Paper, 1st 5s, 1947........... .	6.7	....	7.26Y	96¼	5.20	5.30
Sinclair Pipe Line, S. F. 5s, 1942..(a)..	24.5	....	4.46	92⅛	5.43	5.75
So. Porto Rico, 1st Coll. 7s, 1941..(a)..	5.0	....	3.31	108½	6.48	6.12
U. S. Rubber, 1st 5s, 1947.........(b)..	61.4	2.6	2.91	93⅝	5.32	5.50

Bonds for Appreciation of Principal Primarily

RAILROADS	Amount Issue (Millions)	Prior Liens (Millions)	Times Interest Earned on all debt	Price	Current Income	Yield to Maturity
Chicago Gt. Western, 1st 4s, 1959.. ..	34.7	....	0.90	69⅛	5.78	6.20
Central New England, 1st 4s, 1961.. ..	13.4	0.2	0.67	74¾	5.33	5.70
Erie, Gen. Lien 4s, 1996............ ..	35.9	91.6	1.44	71½	5.59	5.64
Int. Gt. Northern, 1st 6s. 1952.....(b)..	17.2	....	1.34	105⅝	5.67	5.58
Mo. Pacific, Gen. 4s, 1975..........(a)..	49.6	219.9	1.24	72⅛	5.54	5.67
Rock Is., Ark. & La. 1st 4½s, '34..(b)..	11.0	....	1.48	93	4.89	5.55
Spokane Int'nal, 1st 5s, 1955....... ..	4.2	....	3.77Z	86⅛	5.81	6.00
Western Md., 1st 4s, 1952.......... ..	46.5	2.3	1.18	73⅛	5.47	6.10
PUBLIC UTILITIES						
Brooklyn-Manhattan Tr., 6s, 1968..(b)..	92.7	....	1.52	96⅝	6.20	6.25
Indiana Nat. Gas, Ref. 5s, 1936.... ..	6.0	....	1.89	98½	5.08	5.19
Manhattan Ry., Cons. 4s, 1990..... ..	40.7	....	0.86	66¾	5.99	6.05
Market St. Ry. 1st 7s, 1940.......(a)..	12.9	....	2.38	97⅛	7.18	7.12
Montreal Tramways, Gen. & Ref. 5s, 1955 ....(b)..	2.5	21.4	1.31	93	5.39	5.48
N. Y. & Richmond Gas, 1st 6s, 1951 ....(b)..	2.1	....	1.06	103½	5.80	5.78
INDUSTRIALS						
Ajax Rubber 1st 8s, 1936............(b)..	2.4	....	2.23	103½	7.72	7.51
Col. Industrial 1st Gtd. 5s, 1934... ..	31.4	5.3	1.16	89	5.61	6.80
Consolidation Coal, 1st & Ref. 5s, 1950	21.1	8.0	2.52	82¼	6.07	6.50
Commercial Credit, Coll. 5½s, 1935.(a)..	5.0	....	2.74	93	5.91	6.54
Republic Iron & Steel, Ref. & Gen. 5½s, 1953 ....(a)..	8.9	11.2	4.48	99	5.55	5.58
DEBENTURES						
Am. Chain, S. F. Deb. 6s, 1933....(a)..	6.6	....	6.84	101¾	5.89	5.67
Am. Type Founders, Deb. 6s, 1940. ..	5.0	....	...	104⅛	5.76	5.56
Liggett & Myers, Deb 7s, 1944.... ..	13.6	....	5.88	123¼	5.68	5.04
Sun Oil, Deb. 5½s, 1939............(a)..	9.6	....	3.99C	99½	5.53	5.56
SHORT TERMS						
Industrial Bank of Japan 6s, Aug. 15, '27	22.0	....	...	100⅛	...	5.88
Gen. Petroleum 6%, April 15, '28........	9.3	....	5.18	101¾	...	4.80
Sloss-Sheffield P. M. 6s, Aug. 1, '29.....	2.4	1.7	4.55	102½	...	4.72

Note—All bonds in $1,000 denominations, except (a) lowest denomination $500, (b) $100. Earnings are on five year basis unless shorter basis is only one available. Where bonds are assumed, earnings of guarantor company are given.

X—Guaranteed by proprietary companies. Y—Recent earnings about $2.16. Z—Interest only guaranteed by Canadian Pacific. C—Listed N. Y. Curb market. All others on N. Y. Stock Exchange.

Pacific Gas & Electric Co.

A Utility Stock With Improving Investment Quality

Gains in Earning Power Continued

By JOHN POMROY

IN the rapidly growing and industrially progressive Pacific coast, pride of place among public utilities is held by Pacific Gas & Electric Co. It operates in a compact and populous territory, the focus of which is in the metropolitan district of San Francisco. Its activities embrace 300 cities and towns, with their attendant rural areas, whose population is in excess of 2.2 millions and which extend over 59,000 square miles. Concentrated territory and unified management enable numerous operating economies to be effected.

Pacific Gas & Electric Co.

	Earned per Share on Common Stock	Dividend Rate	Price High	Price Low
1916	$ 8.59	$5.00	67	55
1917	5.03	3.75	69	30
1918	4.65	...	45	28
1919	5.33	5.00	72	44
1920	6.30	5.00	61	41
1921	8.34	5.00	68	46
1922	11.57	5.25A	91	60
1923	10.25	6.50A	94	73
1924	8.84C	8.00	105	90
1925	9.53C	8.00	137	102
1926	....	8.00B	132	118

A—Also stock dividend of 2%.
B—Also rights, valued approximately at $2.
C—On amount outstanding December 31. On average amount for year, $9.95 in 1924, $10.12 in 1925.

Primarily a producer of electric light and power and manufactured gas, which comprise respective 59% and 36% of operating revenues, additional revenues are secured from water, traction, steam and even telephone operations. For the investor, who seeks steady increases in equities and earning power, but at more than an average pace, Pacific Gas & Electric is worthy of special consideration.

Earning Power in the Past

In the last five years, operating revenues have increased from 36.9 millions to 48.0 millions. Expenses were 65.7% of operating revenues in 1921, and had declined to 60.5% in 1925. After allowances for depreciation were made, the amounts available for interest on funded debt, and amortization of bond discounts were 10.1 millions in 1921 and fully 15.3 millions in 1925. In other words, a gain of about 30% in revenues resulted in an increase of 50% in revenues available for bonded debt. Interest and discount charges rose in nearly the same *proportion*, but since such charges were equal only to one-half of earnings available therefor, net income available for the preferred stock rose from less than 5 millions to 7.8 millions, or about 57%. Earnings on preferred stock (eliminating a nominal amount of original preferred stock, since retired) rose from $12 per share to $14.30 per share. In other words, the corporation has not increased any of its senior capitalization, whether funded debt or preferred stock, at a rate that equalled its growth of earnings.

In the case of common stock, the effects of such a policy become evident at once. Although common stock outstanding has been increased from 34.0 millions to 48.1 millions in that period, earnings per share rose from $8.34 to $9.53. Earnings had fallen off in the drouth year 1924, but subsequently recovered. However, in 1922, $11.57 was earned on the common shares and in 1923, $10.25 was earned. From the viewpoint of cash earnings applicable to common stock, though, such a comparison does not tell the whole story. Earnings so applicable were 4.01 millions in 1922, 3.65 millions in 1923, 3.78 millions in 1924, and, lastly, 4.58 millions in 1925. Apart from war years this measures perhaps the extreme fluctuations in revenue which are likely to occur in the Pacific Gas & Electric system. Naturally the low figures will probably not again be reached as operating revenues grow larger, and as larger net revenues are to be expected.

Pacific Gas & Electric managed to show reasonable earnings on its common even during the trying period of the war, when costs were maximal and rates a survival of a low-price epoch. Only in 1918 were dividends suspended, and even at that time, $4.65 was earned on the then outstanding common stock. It is, therefore, safe to assert that good earnings on the common stock are assured and that short of such a calamity as war and rising costs, simultaneous with low rates, the dividend rate is practically assured at something close to present levels. This minimal possibility, of course, places Pacific Gas & Electric common in the class of investment stocks. Possibilities of loss of income being slight, the matter that must engage the investor is the possibilities of profit inherent in the common stock. For this a study of the recent financing of improvements, and consequent gains in revenues, is indispensable.

Growth of Pacific Gas & Electric

Plants and properties of Pacific Gas & Electric have been valued at 182 millions in 1921 and 273 millions in 1925. This gain of 91 millions was accompanied by an increase in funded debt, preferred stock and common stock from about 188 millions to 264 millions, or by about 76 millions. As stock dividends were slight, this figure can stand

approximately. It appears then, that out of earnings, 3 millions a year can be transferred to physical investment, and that this three millions is almost equal to the amount charged off for depreciation, the two items, together, equalling about 7 millions per annum. As average cost of funded debt is about 5.4% (probably less in the future) and preferred stock 6%, it follows that these two items, added to the amounts invested from earnings, will add proportionately more earnings back of the $8 common stock. Of course, it may be held that in bad years, so large a volume of fixed charges will operate against the earnings of the common stock. This is so common a belief, not only among amateur investigators, but even among experts, that it is well to set out under just what conditions, a so-called topheavy capitalization is helpful, and under what conditions harmful.

Of the capitalization of Pacific Gas & Electric, as at present constituted, which at par is 283.9 millions, 171.8 millions, or 60.5% is funded debt, and 59.5 millions or 20.9% preferred stock, making a total of fixed charge obligations of 81.4%. No one disputes that in good years, the fact that more than four-fifths of the capitalization pays an average of 5.6%, adds to the earning power of the common stock which pays $8 per annum. It is certainly a better advised policy, for such good years, than to increase by cash sales, the amount of common stock outstanding thus adding not 5.6% partners but 8% partners to present common stockholders. On the other hand, in bad years, it is thought that such a policy involves danger to the common stockholder, since interest on the 60.5% in the funded debt must be paid and if not paid bondholders can take over the properties. The two possibilities must be balanced.

As a classic example of a company with a high percentage of fixed charges, Pacific Gas & Electric can afford to look upon its fluctuations of revenue and strike the balance. Critical study shows that had funded debt been, say, 40%, preferred stock 15%, and common stock 45% of total capitalization, earnings per common share would have been as follows compared with actual amounts earned per share. In 1921, actual, $8.34, hypothetical $5.17; 1922, actual, $11.57, hypothetical, $5.84; 1923, actual, $10.25, hypothetical, $6.60; 1924, actual, $8.84, hypothetical, $5.06; and in 1925, actual, $9.53, hypothetical, $5.87.

It is obvious that for a public utility such as Pacific Gas & Electric, with fairly steady eannings and with no "bad years" except under conditions unlikely to recur, fixed charge financing is not top-heavy, and benefits the common stock accordingly. Of course, such reasoning is relevant only to this type of earning power. It is obvious that for Pacific Gas & Electric, the policy it has followed has been best for the common stockholders.

Future Increase in Earning Power Seems Assured

Operations for the year 1926, have already resulted in an increase in capitalization from 264.9 millions to 283.9 millions or 19 millions in all, of which 15.4 millions represented reimbursement of working capital for amounts advanced on behalf of construction in 1925. It is contemplated that preferred stock par value shall be reduced from $100 to $25, and that common stock shall be split four for one, apparently without par value. As there are no important maturities to be met before 1923, funded debt can be ruled out of the picture.

Beginning with February, 23, 1926, common stockholders were permitted to purchase 10% additional common stock to their present holdings at par, a "right" worth on the average about $2 per share. Preferred stock sales are continuing. Since January 1, 1926, funded debt has risen by ten millions, preferred stock by 4.5 millions and common by 4.5 millions. On the other hand, gross revenues for the first quarter of 1926 had risen by $618,000 or from $12,274,000 in the first quarter of 1925 to $12,892,000; net earnings before depreciation rose from $3,036,000 to $3,179,000.

It is not easy on the face of it to predict earnings per share for 1926. At present rate of gain, net earnings ought to be about $800,000 more this year than in 1925. In fact, with the present skyscraper boom in San Francisco, it may even reach $1,000,000 more. Taking the former figure, we see that the earnings for common stock, at present capitalization, should work out to about $9 per share, or a little less than last year. But it is too early to hazard this figure. At any rate it will be above present dividend rate.

Future earning power is as yet even more conjectural, for the reason that Pacific Gas & Electric has been compelled to invest heavily in construction and development anticipatory of future growth of demand. Superficially it would appear that its ratio of property investment to gross operating revenues is unfavorable. In 1921 its plants and properties account was about 4.95 times gross operating revenues, in 1922, 5.18 times, in 1923, 5.57 times, in 1924, 5.61 times, and in 1925, 5.90 times. As the corporation plans construction totalling about 25 millions in 1926, and as gross appears to be running only 2.5 millions ahead of last year, it is likely that the ratio of six to one may be reached this year.

But it must be remembered that Pacific Gas & Electric, in its electric operations, is almost exclusively a hydro company; only a minute part of its power being generated in steam plants. Hydro-electric investment is always initially greater than steam generating investment. It usually runs about two to three

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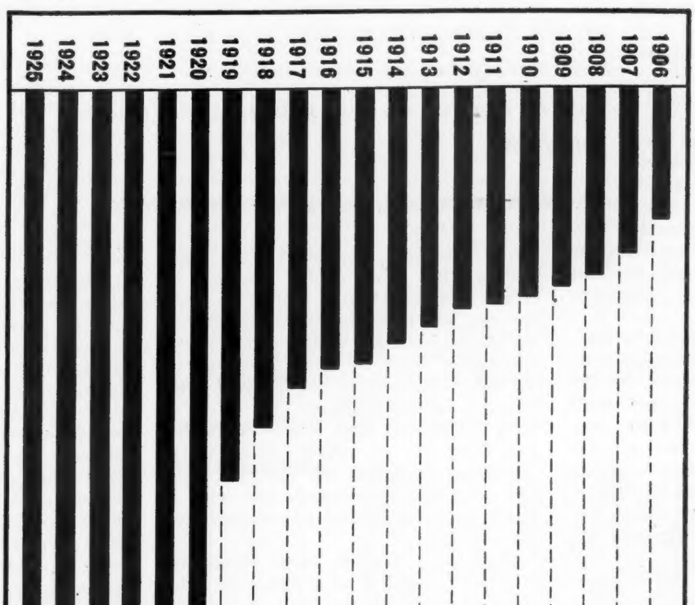
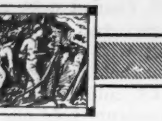


Pacific Gas and Electric—Gross Earnings
1906 to 1925



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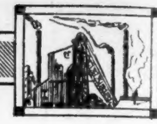

Int. Nickel Co. *De Beers Co.* *Aluminum Co. of America*

Producers Who Dominate Their Field

Possibilities in Stocks of Three "Monopoly" Companies

By M. D. GOULD

This interesting discussion of the possibilities in three so-called "monopoly" stocks invites the attention of the investor seeking a field for long-range profits. Two of the three companies described here have rarely before been analyzed. They are De Beers Co. and Aluminum Co. of America.

THE word "monopoly" has taken on disagreeable connotations in the course of centuries and for this reason is not used in the present study although the three companies to be discussed are the dominating factors in their industries, by the true test of a monopoly: the ability to determine the price of the product, the control over the great majority of production, and the absence of immediate outlook for substantial competition.

The objection of the unthinking to monopolies has been that they tend to increase prices without limit whereas it is felt if competition existed it would help keep prices down, theoretically to a point just sufficiently above the cost of production to afford a reasonable profit.

This view does not seem to be warranted by the facts. In a highly competitive producing group such as the copper industry, prices are not fixed by cost of production but on the contrary, after the market has set the price, the mine operator has to determine whether or not his cost of production can be taken sufficiently below the already existing price to afford him a profit.

The monopoly producer has to adopt the same view. He has first to determine the price at which the product can be sold in sufficient volume, and then adjust his production costs to leave him a maximum of profit. Although the monopoly industry nominally sets the price for its product, in reality the consuming market sets it, for prices cannot be raised too high, i. e., too high for the market as of a given time and place, without diminishing sales to a point where profits are lessened.

What the monopoly does achieve, in general, is more rapid adaptation to changed market situations, because of its centralized control and ability to look over a wide range of market factors.

To return to copper, when it is necessary to cut production because of lower demand expressed by lower prices, the fundamental method by which this reduction is made is to have the smaller and higher-cost producers go out of business, temporarily or permanently. This, of course, means considerable wastage of capital and leads to irregular fluctuations.

In the case of lead, where quotations are fixed by, or rather through, the American Smelting and Refining Company, market movements are kept in hand much better and adjustments are more regular.

Zinc, on the other hand, illustrates the exact opposite of a monopoly, viz., a situation where the bulk of the production is in the hands of small producers who do not get into production unless prices have advanced considerably beyond a certain point, and who disappear again when zinc prices decline, tending to accentuate price fluctuations in this commodity.

In the case of industries to be discussed later, price fluctuations have not been eliminated, because market conditions which govern prices are subject to change, but it can be safely said that fluctuations have been less violent than would have been the case if the industry were less well regulated.

From the investor's point of view the great merit of monopoly securities does not lie in any extraordinary profits made by such companies because of their dominating position. As we have seen, the prices which determine profits are in reality made by the consuming market. The investment superiority of such securities lies rather in the ability of these dominating companies to keep fluctuations from going too far, ensuring relative stability of earnings, and in the fact that they are in a position to follow developments in their industry more intelligently and to expend great sums on development and research for the furtherance of their industry and in direct relation with their sales efforts, thus carrying on some of the work which is done for other industries by their trade associations.

The three companies to be discussed below have achieved a dominating position by three different methods. The International Nickel Company has what may be called a natural monopoly as it controls over 80% of the commercially practicable nickel ore of the world concentrated within a few square miles. The De Beers Consolidated Mines, Ltd., owes its strategic strength to syndicate organization for the express purpose of regulating production, sales and prices. The Aluminum Company of America combines the advantages of control over naturally limited ore supplies with aggressive trade policies as against potential competition.

INTERNATIONAL NICKEL CO.

Common Stock Possibilities

For all practical purposes, the nickel business of Canada, which is over 80% of the nickel business of the world, is concentrated in the hands of the International Nickel Company, and to a very much smaller extent the Mond Nickel Company, Ltd., at Sudbury, Ontario.

During the war the short lived British-American Nickel Company was formed, a typical war baby, which had to cut prices to make sales, was un-

able to survive the post-war nickel depression and was finally absorbed by the International Nickel Company.

The latter proved its right to leadership by the way it handled the difficult conditions which faced the nickel industry after the war. At that time and for many years previously, two-thirds of the nickel produced went into armaments; production had been expanded during the war and huge stocks of nickel prepared for war purposes were thrown on the market after the Armistice. To make things worse, the disarmament movement took tangible form in 1921 and continued to reduce still further the already restricted demand for armament nickel, which had always been unsatisfactory because it depended on war-scares, jingo sentiment and sales to a few large producers of armament.

The company met this situation by instituting a campaign of research into new uses and extension of old markets for the metal, followed by a three-year advertising campaign. To meet the requirements of nickel users, the company set up its own rolling mill so that it could sell nickel in rolled and semi-finished forms. Monel metal, a natural alloy of nickel and copper which occurs in the Sudbury ores, was extensively pushed and its sales bid fair to overtake even the steadily rising consumption of nickel.

New uses were found for the metal in chemical, packing and dairy machinery, laundry equipment, automobiles and locomotive construction, restaurant and kitchen equipment and many other industries where the handsome appearance, resistance to wear and corrosion, high melting point and great tensile strength of nickel and its alloys are useful.

The results of these changes in business also have not been only increased sales but greater diversification and consequently increased stability of earnings. A comparison of earnings per share by quarters is interesting:

Quarter ending	1924	1925	1926
March 31.......	$ .17	$ .69	$ .73
June 30........	.14	.70	...
Sept. 30........	.18	.76	...
Dec. 31..........	.42	.83	...

The slight falling off in the first quarter of this year is attributed to the two-cent average rise in price declared toward the end of last year effective January 1, 1926, causing a slight letdown in buying immediately thereafter.

Capitalization consists of $2,844,444 of ten-year serial 5% purchase money notes, due 1935, of a subsidiary, the International Nickel Company of Canada, Ltd.; $8,912,000 of 6% cumulative preferred stock of $100 par and $41,834,600 of common stock of $25 par.

The consolidated balance sheet as of March 31, 1926, shows a strong financial position which is characteristic of this company. Current assets amounted to $17,780,000 against $5,113,000 of current liabilities. Among the assets were $946,000 of cash, $2,100,000 of loans out on call and government securities amounting to $3,232,000.

Last year the company resumed dividends on its common stock at the rate of $2 per annum. At present prices of $40 the market evidently discounts continued improvement in the company's business, but for the patient investor who is willing to wait for long time developments the stock is still extremely attractive.

DE BEERS COMPANY

A Participation in Diamond Mining Profits

The De Beers Company is a dominant factor in the new diamond syndicate formed this year as a rearrangement of the old syndicate with some additional members from the newer fields and controlling one way or another some 85% of the world's production.

The diamond industry had in 1925 one of the most prosperous years in its history, sales exceeding $61,000,000, the highest on record except for the boom year 1919. With increasing wealth and rising standards of living a gradual increase in the market for diamonds is confidently expected. The 1925 production of 4,410,000 carats of diamonds was 14% higher than 1924. British Guiana and Belgium Congo with the neighboring territory of Angola produced 4% and 23% of the total respectively last year. Little increased production is expected to enter the market; artificial diamonds, at one time considered a menace to the industry have been unable to put up a serious economic competition and additional sales of diamonds from Russia are not expected to be in volume sufficient to upset the market.

Following the boom of 1919-20 a serious depression set in, because of the luxury nature of the industry and the wide economic depression. The De Beers Company met the situation as indicated by the following figures:

Date	Total Production in Carats	Avg. Price Highest Grade Mined	Avg. Price Lowest Grade Mined
1920 ..	1,370,539	221 s 2 d	102 s 10 d
1921 ..	548,082	248 s 5 d	109 s 4 d
1922 ..	838	..	..
1923 ..	313,576	..	53 s 5 d
1924 ..	1,152,808	127 s 1 d	57 s 8 d
1925 ..	1,052,609	121 s 9 d	56 s 6 d

Earnings available for dividends and reserve in pounds sterling were as follows:

1920.........	£3,825,000
1921.........	222,000
1922.........	Def. 689,000
1923.........	1,688,000
1924.........	1,250,000
1925.........	1,935,000

The company has outstanding £1,635,495 of South African Exploration debenture 4½s due January, 1923, and guarantees £1,250,000 Cape Explosive Works, Ltd., 1st 5½s debentures due serially up to January 1, 1926. Its capitalization consists of £2,000,000 of 40% cumulative preferred stock of £2½ par and £2,750,000 of deferred stock, equivalent to common, of £2½ par. Thirty-two thousand shares of the latter stock are on deposit with the Central Union Trust Company of New York and against them have been issued 80,000 "American Shares" which are listed on the New York Stock Exchange, and are entitled pro rata to all the privileges of the British shares in the ratio of one American share to two-fifths of a British share.

Dividends were resumed at the rate of 40% per annum in June, 1924, after a three-year interval, and the American holder has benefited from the improvement in sterling as well as the increased rate which was 50% per annum beginning December, 1925.

Financial position as of June 30, 1925, the date of the last balance sheet available, was excellent, current assets amounting to £2,693,000, of which marketable securities amounted to £1,351,-

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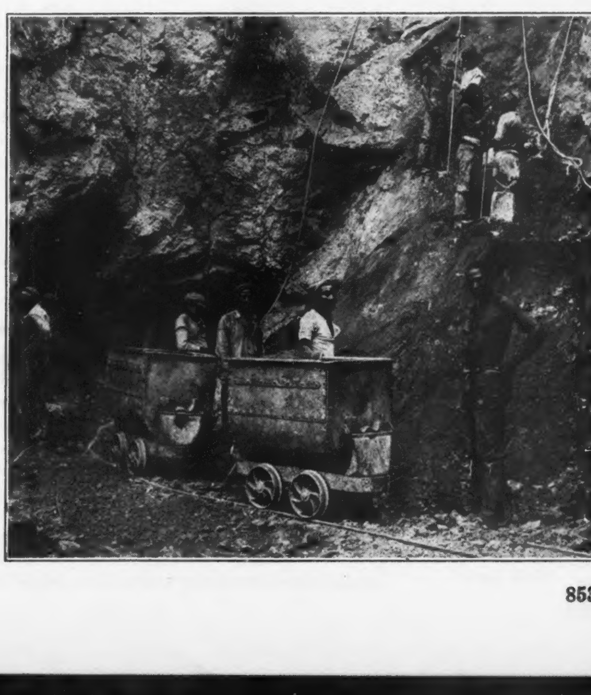


In the De Beers Diamond Mines at Kimberly, South Africa

Railroad Efficiency Holds Equipment Company Earnings Down

Market Possibilities of Five Leading Equipment Stocks

By L. O. HOOPER

REASONS for the marked paradox between the large earnings of the railroads and the small profits of the leading producers of railroad cars and locomotives have been discussed at length in past analyses (January 30 and April 24th issues). The efficiency campaign of the carriers has accomplished better maintained equipment, more tons per car, more car miles per unit of rolling stock, and more cars per train. It has resulted, to a marked extent, in converting the profits of car and locomotive builders into railroad earnings. On the other hand, makers of equipment accessories and parts naturally have been more prosperous than manufacturers of the complete unit.

(*Courtesy Ingersoll-Rand*)

The "oil-electric" locomotive—a new factor in railway equipment, manufactured jointly by Ingersoll-Rand, General Electric and American Locomotive.

Of course, old equipment cannot be kept in first class condition indefinitely, and replacements must be made; but in 1925, replacements were kept down to an astonishingly small minimum without resulting in any shortage of cars or locomotives, and even in 1926 orders for new units have been large enough to keep plants operating at only slightly better schedules than last year. The time does not seem to be at hand when the roads are coming into the market with a volume of orders sufficient to allow more than indifferent equipment company earnings.

All that even the optimists anticipate for 1926 car and locomotive company earnings is that the figures will reveal an encouraging improvement over last year's exceedingly poor showings. Perhaps 1927 may show a further improvement over 1926, but there is nothing in the available statistics to show that a real shortage of either rolling stock or tractive power is impending. Gradual improvement, and perhaps a less violently fluctuating demand, may increase and make more dependable the earning power of such companies as Baldwin, American Locomotive, Lima, American Car & Foundry and Pressed Steel Car. But if the stocks appreciate in value the appreciation probably will not be due to any great wave of equipment buying such as frequently has featured industrial history in the past.

Although car loadings in the first half of 1926 totaled 25,036,000 against 24,328,000 in the first half of last year, and made a new high record, the number of freight cars installed in the first five months was but 42,300 compared with 70,949 in the first five months of the preceding year, and the number of cars in need of repair on June 15th was but 159,000 against 201,000 on June 15, 1925. That more freight could be carried, even with present equipment, is indicated by 255,000 idle freight cars and 6,000 idle locomotives on June 30th. While more freight cars were scrapped in the first half year than were installed, the capacity of the cars installed was greater than the capacity of the cars scrapped. Equipment orders in the first half, however, were larger than in the first half of last year, as is indicated by the following table:

Equipment ordered	1925	1926
Freight cars	36,650	40,850
Passenger cars	439	860
Locomotives	333	769

Without exhausting too much space with descriptions, with which many investors are quite familiar, we have attempted below to point out some of the significant influences in the prosperity of each of the five larger car and locomotive builders, and to venture some suggestions regarding the speculative outlook for the stocks representing them. Pullman Company, which owns an important car building organization, is omitted because it was thoroughly discussed in the issue of July 3rd.

AMERICAN LOCOMOTIVE

If Railway Steel-Spring's income account had been combined with that of American Locomotive Company for the entire six months instead of for only a month and a half, the report of the Locomotive company for the first half year would have showed the $4 dividend paid on the increased common stock earned by a margin of perhaps 25 cents to 50 cents a share. For the full year American Locomotive should be able to show the $8 dividend earned, or nearly earned. Without the assets acquired from Railway Steel-Spring, which really is an equipment accessory organization, this probably would not be possible. The merger apparently tends to stabilize earning power of the greater company, but the increase in capitalization which it involved may reduce per share earnings in good years.

Earnings of American Locomotive and Railway Steel-Spring combined, for the past ten years have averaged $9.11 a share on the new capitalization, while earnings of American Locomotive alone on the old capitalization during the same period average $9.80 a share. Since this period included several abnormally good years for both companies, years which may not be repeated in the near future, the present $8 dividend rate is conservative only in the light of the good financial position of the company. On June 30, 1926, holdings of cash and marketable securities were $33,335,543, or $43 a share on the 770,000 shares of common without deducting anything for the 385,000 shares of 7% cumulative preferred stock. American Locomotive, because of its good financial status, is one of the few industrials which can afford to pay out practically all it earns in dividends.

The volume of locomotive business offered since the first of the year has been good only in comparison with 1925 in which year the company (exclusive

of Railway Steel-Spring) operated at a loss of $843,231 before preferred dividends. Railway Steel-Spring in 1925 earned $2,348,244, the combined net of the two companies failing by $1,190,000 to cover the present preferred dividend requirements. Stockholders may rest assured, however, that the American Locomotive organization will give an excellent account of itself just as soon as conditions in the industry really are favorable.

While American Locomotive common stock at around 104 *probably is not entitled to more than a business man's investment rating, the yield of almost 8% offered is inviting and the dividend, at least for the present, seems reasonably safe. From a market viewpoint, the stock is in a neutral position.*

BALDWIN LOCOMOTIVE WORKS Baldwin owns 19½ acres of real estate in the heart of Philadelphia, regarded by officials, according to published reports, as worth $30,000,000 or more. The company's manufacturing activities are being moved to Eddystone, Pa., and last March, it was stated, that the process of removal was 70% accomplished. It was estimated at that time that the cost of moving the rest of the plant might be as much as $10,000,000. The Philadelphia real estate, in all probability, eventually will be sold. Should it net the company, after paying the remainder of plant removal costs, $20,000,000, the proceeds of the sale would be equal to $100 a share on the outstanding common stock. In other words, it might be reasoned that $100 a share of the present market value of Baldwin common, around 116, represents valuable urban real estate not essential to the company's activities as the second largest locomotive producer; and that Baldwin, as a manufacturing proposition, is selling for about $16 a share. Here is the great speculative argument on Baldwin.

Baldwin apparently has been obtaining more than its share of the business offered so far this year. It was stated on April 1 that unfilled orders called for 460 locomotives, and, as the table above shows, the total number of locomotives ordered in the first half year was but 769. The plants so far have been averaging about 40% capacity, which is considerably better than last year. The chances seem to favor Baldwin earning, or nearly earning, common and preferred dividend requirements this year.

Baldwin's financial position is not as affluent nor as liquid as that of American Locomotive, but its capitalization is a great deal smaller being only 200,000 shares of common and 200,000 shares of preferred. Baldwin, however, has a $8,474,425 funded debt, while American Locomotive's funded debt is negligible. Again, Baldwin's merchandising and credit policies, particularly as to foreign business, are generally regarded as less conservative than those of the larger corporation.

If one could dismiss the real estate possibilities, there would be no question about American Locomotive being the cheaper stock of the two; and even as it is American Locomotive common is the more conservative issue. On the other hand, there is no element in the American Locomotive situation to challenge speculative imagination to such an extent as Baldwin's Philadelphia property challenges it. Baldwin's stock is subject to unheralded market moves of violent proportions. *Regardless of the apparent safety of the* $7 *dividend (for the time being, at least), the stock is to be regarded as one of the more speculative industrials, although its possibilities are considerable. Still, there is a considerable difference between possibility and reasonable certainty.*

LIMA LOCOMOTIVE WORKS While Lima Locomotive is a much smaller company than either American or Baldwin, year after year for two generations it has been obtaining its share of the volume of business offered. Unlike the two larger companies, it has neither bonds nor preferred stock ahead of the 211,057 shares of common of no par value on which dividends of $4 per annum have been paid since 1922.

Last year operations were at a loss of $844,000 before dividends compared with a profit of $7.11 a share in 1924, $11.24 a share in 1923 and 26 cents a share in 1922. In the eight years ended 1924, net averaged a trifle better than $4 a share on the present capitalization. It is understood that earnings in the first half of 1926 just about covered the $2 a share paid out in dividends; but unless there is an improvement in orders it is quite possible that there may be a small deficit after dividends in the full year.

For a small company, Lima is in excellent shape financially. At the end of last December holdings of cash and government securities were about $3,800,000 or around $18 a share on the outstanding stock. Net working capital was $6,041,533.

At around 61, *Lima's* $4 *dividend offers a yield of* 6 2/3%. *In view of the apparent security of the payment this is a rather attractive income return. In good years there is better than an even chance that the distribution may be larger.*

AMERICAN CAR & FOUNDRY American Car & Foundry is the premier equipment company in size, in character, and in volume of output. Although primarily a manufacturer of freight cars, it also produces passenger cars and equipment accessories; and through its investments it is interested in the manufacture of buses and locomotives, owning control of the newly formed Brill Corporation and a substantial interest in American Locomotive.

Although 1925 was a poor year for car makers as well as for locomotive producers, net earnings in the year ended April 30, 1926, were $6.67 a share on the 600,000 shares of common stock on which the dividend rate is $6 per annum. This compares with $6.77 a share in 1925, $7 in 1924, $6.85 (on basis present stock) in 1923, $7.47 in 1922 and $10.75 in 1921. This consistently good record in all kinds of business years, as well as $28,500,000 in cash and securities at the end of last April, witnesses safety of the present dividend. There is no funded debt, and the preferred stock, of which there are 300,000 shares of $100 par value, is a $7 non-cumulative issue.

The investment in American Locomotive has been variously estimated at between 50,000 and 100,000 shares. It must be substantial, since the managements of the two companies now are quite closely affiliated. Some commentators have suggested that the two companies eventually might be merged into one big super-equipment company. If this is to be accomplished, it probably is something which will not come about in the near future. The advantage, of course, would be a further diversification of business risks, and consequent further stabilization of earning power.

The company's stocks seem to be less speculative than those of any of the other car and locomotive builders. The preferred, although non-cumulative, is entitled to a high grade investment rating. *While the common is not without some risk elements, it is a high grade busi-*

(Please turn to page 899)

Comparing the Leading Equipment Stocks

	Earned Per Share 1923	1924	1925	Annual Dividend	Current Price	Approx. Yield
Am. Car & Fdry.	$7.00a	$6.77a	$6.67a	$6.00	100	6.0%
Am. Locomotive	10.64b	9.80b	Nil	8.00	104	7.9%
Baldwin	25.58	Nil	Nil	7.00	116	6.0%
Lima	11.24	7.11	Nil	4.00	61	6.6%
Pressed Steel	6.65d	2.43d	Nilc	None	37	None

NOTES: a For fiscal years ended April 30, 1924, 1925 and 1926, respectively. b On basis of old capital without Railway Steel-Spring. c On basis of new capitalization. d On basis of old capitalization.

Switching for Income and Profit

THE following switches are designed as a practical guide to the investor in rearranging his security holdings in conformity with the present market outlook. The left-hand column contains issues which appear unattractive at the current level of prices in relation to their present and prospective position, while in the right-hand column are to be found stocks, the market prices of which do not seem to have fully discounted their underlying values, earning power, or income return. Recommendations are based on the long range viewpoint and do not necessarily call for immediate action. Stock prices are continually changing and in many cases will show some variation from those presented here. Specific switches are not indicated simply from the relative position in which they are listed on the page, but may be selected from the entire list according to the individual needs of each investor.

Switch *Out of* These Stocks

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price

Allied Chemical & Dye, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
135	4	3	8.18	6.1

Holding company representing consolidation of several large non-competing concerns manufacturing a varied line of chemicals. Earning power gradually increasing, but falls short of measuring up to market price. Recent market based on tremendous supply of working capital, possibilities of extra distribution and retirement of preferred stock. While a more adequate return on common will undoubtedly be forthcoming sooner or later, stock has advanced so far in discounting such prospects that it cannot be regarded as desirable holding at this stage.

American Bank Note, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
40	1.60	4	3	7.5

Excellent company enjoying not far from a monopoly in the engraving of corporate securities. Continuous dividend record on both classes of stock dating back twenty years. Present shares the result of five for one split-up last year, so that current market equivalent to 200 for old stock. Issue has investment merit, but yield is too low. Shares less attractive owing to substantial market appreciation prior to recapitalization and dividend increase.

Atlantic Refining, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
110	..	..	11.53	10.5

One of the old Standard Oil group. Large refiner and distributor of gasoline. Three out of four refineries located in Pennsylvania. Also has interest in producing fields in Mexico and South America. Company highly prosperous in past years, but recent career has been erratic. Common dividends suspended late in 1924 upon issue of 15 millions in notes of which more than half have been retired. No dividends until balance is retired.

Belding Heminway, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
31	3	9.7	3.23	10.4

Consolidation of two old line silk enterprises effected this year. Belding stock first offered to public in middle of 1925. Originally offered at price of $39.50 a share. Heminway Silk Co. reported deficits in 1924 and 1925. Future will show what economies will be effected by combination. New issue of 5.4 million convertible bonds brought out first of this year. Financial condition sound, but dividend rather large in relation to earnings.

Burns Brothers, Class A Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
136	10	7.4	20.11b	7.5

Large retail distributor of coal in New York. Class A entitled to cumulative dividends of $8 per share per annum, after which it participates with Class B, share and share alike. $2 rate on Class B automatically gives Class A a rate of $10. Prior to last year, dividends had just about been covered by earnings. Increase in last fiscal year due at least in part to abnormal conditions resulting from strike.

Switch *Into* These Stocks

Abitibi Power & Paper, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
81	4	4.9	11.20	13.8

One of the largest of the Canadian newsprint and paper manufacturers. Also has extensive interests in water power, a field which contributes towards stability of earnings, offsetting to some extent the inherent fluctuations in profits derived from paper business. Fair measure of price appreciation since being listed, but merits of issue do not as yet appear to have received as much recognition as they deserve, considering the substantial earnings reported year after year.

American Car & Foundry, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
100	6	6	6.67	6.67

Largest manufacturer of railway passenger and freight cars in this country. Affiliations with and stock interest in American Locomotive. Enjoys highly capable management. Was able to more than cover dividend requirements in year ending April 30 in spite of very poor year for all equipment concerns. More recently has extended activities into motor bus field which should prove to be sources of increased revenues. Stock not too high on basis average normal earnings.

American Metal, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
53	4	7.5	5.06	9.6

Company from point of view of diversified operations one of most important factors in mining world. In addition to treatment of ores produced by others at its smelting and refining plants, it owns extensive producing properties of its own, located principally in Mexico. Stable earnings subject to considerable enhancement with any sustained prosperity in mining industry. Financial condition very strong and properties carried at valuations below their actual worth.

American Tobacco, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
120	8	6.7	9.77	8.1

One of largest manufacturers of cigarettes and smoking tobacco. Benefited greatly from rapid increase in cigarette consumption, especially its own "Lucky Strike" brand. Impregnable position financially, working capital being not far under 100 millions. Stock has investment merit and should be in line for gradual enhancement in market value. Returns better yield and not high in comparison to shares of two chief competitors.

Brooklyn-Manhattan Transit, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
65	4	6.2	5.54a	8.5

Highly successful reorganization of old Brooklyn Rapid Transit. Assisted by rapid growth of Brooklyn population, earnings have shown steady gains, in spite of handicap of enforced operation under five cent fare. Any upward revision in fares would materially increase balance available for common, but stock almost alone among New York tractions is fairly attractive even without this possibility. Operations include surface, subway and elevated lines.

a—Year ending June 30, 1926. b—Year ending March 31, 1926.

Switch *Out of* These Stocks

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price

Butterick, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
60	..	..	3.05	5.1

Holding company owning stocks of several periodical publications. Also manufactures paper patterns. Moderate earnings have been fairly regularly reported, but financial status has been none too strong. No dividends paid for several years. Apparently taking on new lease of life under new management, but stock has advanced so far in anticipation that profit taking seems advisable until more is known about extent of improvement.

J. I. Case Threshing Machine, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
160	..	..	14.49	9.1

Large manufacturer of agricultural equipment. Has recovered in spectacular fashion from poor earnings in recent years occasioned by post-war deflations. Financial condition best in years and stock intrinsically sound, but has had meteoric advance in last few months and subject to sizable reaction. Wide fluctuations facilitated by small floating supply. Remaining $7 accumulation on preferred has just been cleared up.

Certain-teed Products, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
46	4	8.7	4.64	10.1

Engaged in manufacture of prepared roofings, floor coverings, and a varied line of kindred products. Business has been materially assisted by building boom of recent years and earnings have shown upward trend. Amount of common stock, however, has been increased more than three-fold in past year, and, although funded debt has been eliminated thereby, it is not assured that earnings can support present dividend indefinitely.

Chicago Pneumatic Tool, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
110	5	4.5	6.88	6.2

World-wide business in air compressors, oil engines, pneumatic tools, rock drills, etc. Good company with fairly consistent earning power, but stock has been bid up to a height unreasonable in the light of any anticipated developments regarding company. Shares are closely held, and resulting small floating supply facilitates a certain measure of control over price movements. Cannot be considered desirable holding at these levels.

Coca-Cola, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
162	7	4.3	14.47	8.9

Soft drink business, which has developed substantial earning power. Noteworthy example of building big earnings on almost negligible tangible assets. Book value only slightly over $10 a share. While progress has been made in reduction of operating expenses, the marked increase in income has to large extent been based on subnormal sugar prices, sugar being principal raw material. Present market high enough to discount any reasonable prospects.

Eureka Vacuum Cleaner, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
53	4	7.5	6.51	12.3

Dominant factor in its field. Produces most of its own parts. Production and sales grew rapidly for several years, but in late years increases have been in much smaller ratio, particularly as regards net income. Margin of profit showed successive declines in 1924 and 1925 with some reversal in this tendency noted for first six months of current year. Further possibilities in stock seem limited.

Fleischmann, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
51	2	3.9	3.08	6

Practical monopoly on sale of compressed yeast in United States. Sales have doubled in eight years and net income has grown faster. Old stock one of market features. Now split up on three for one basis. Company still highly prosperous but current price of stock rather excessive in relation to earnings. Action of prominent banking house in acquiring minority interest has revived interest in shares.

Foundation, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
94	8	8.5	10.10	10.7

World-wide business in contracting and construction work. Specializes in foundations and excavations. Considerable proportion of business is in filling such requirements of railroads and public utilities. Stock sold much higher earlier in year, but even present level seems to discount prospects rather liberally in view fluctuating nature of income and small margin earned over dividend requirements.

Gabriel Snubber, Class A Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
32	2.50	7.8	6.57	20.6

Manufactures shock absorbers for motor vehicles. Earnings while increasing have hardly grown in a manner comparable to volume of automobile production. Recently extra dividends equivalent to regular dividends have been paid, thus doubling the yield for time being. Excessive yield reflects doubt as to permanency of such a liberal policy. Asset value of shares only fraction of market value.

Switch *Into* These Stocks

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price

Calumet & Arizona, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
71	4e	5.6	4.23d	5.9

Medium-cost copper producer with long record of prosperity and uninterrupted dividends dating back over 20 years. Production has been maintained within reasonable bounds during era of low copper prices. Controlling interest in the low-cost New Cornelia property also decided factor in earnings. Although producing for many years company's own mines seem far from exhaustion. Impending improvement in copper situation should aid company materially.

Cluett Peabody, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
65	5	7.7	7.65	11.8

Dominant factor in manufacture of collars and related products. Litigation involving patent on semi-soft collars settled out of court with right to manufacture on royalty basis. Company maintains strong cash position and has shown earnings stability. Stock generally moves within rather narrow range, but is attractive by reason of high yield in conjunction with apparent safety of dividend.

Colorado Fuel & Iron, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
44	..	..	4.65	10.5

Steel manufacturing and coal mining enterprise, noteworthy for its erratic and for the most part inadequate earnings. Owns only developed anthracite coal mines west of Pennsylvania. Handicapped by location of plants in competing with Eastern steel centers by reason of higher freight rates, but remarkable progress has been made in revamping and reducing expenses. Stock a speculation, but not too high if anything like present earnings can be maintained.

Columbian Carbon, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
62	4	6.5	5.27	8.5

Diversified business in natural gas, and natural gas derivatives, including carbon black, lamp black, and pigments. Ownership of natural gas properties gives company advantage over carbon black competitors, especially in view of restriction on output of carbon black in Louisiana. Income increasing and potential earnings large. There are no bonds or preferred ahead of common. Stock rather inactive but sound.

Congoleum-Nairn, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
23	..	..	2.23	9.7

Manufacturer of floor coverings whose products achieved wide popularity during building boom. Prior to last year earnings increased by leaps and bounds, but temporary saturation in demand for product developed. Recently new products have been introduced, and strong interests have become identified with the management. Indications that larger volume of sales accompanied by greater operating efficiency may develop.

Continental Can, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
83	5	6	10.81	12

Second only to American Can in output of tin containers. Substantial yearly increases in business recorded in each year since 1921. Also owns and operates tin plate mill to supply portion of its raw material requirements. Maintains uniformly strong cash position. Extra dividends disbursed from time to time which serve to increase yield. Stock selling midway between low and high for year still seems undervalued.

Electric Storage Battery, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
88	5	5.7	9.48	10.8

Remarkable stability of earning power for an industrial coupled with strongly entrenched position financially. Long prosperous record in applying its product to automobile trade. More recently business supplemented through the demand on part of radio industry. Extra dividends bring actual yield up to fairly attractive basis. Stock selling near record high point, but still reasonably valued on basis present position and prospects.

Endicott Johnson, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
65	5	7.7	7.36	11.3

Second largest manufacturer of shoes. Daily capacity 130,000 pairs. Also supplies its own rubber soles and heels. One of the more stable earners among industrials. Definite policy of distributing 50% of earnings in excess of present dividends to employes reduces margin for stockholders, but goes a long way in eliminating labor troubles. Strong financial status maintained. Stock not speculative favorite and moves within narrow range but attractive for income.

General Cigar, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
50	4	8	5.48	11.

Output approximates 10% total production of cigars in the country, including several well known brands. Has weathered depression in cigar industry successfully. Introduction of labor saving machinery and improvement in cigar trade has been duly reflected in status of company. Attractive yield for stock. Strong working capital position and anticipated earnings indicate safety of present dividend rate.

e—Plus extras. d—Before depletion.

(*Please turn to next page*)

Switch *Out of* These Stocks

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price

Gimbel Bros., Common

57	..	..	6.49	11.4

Old, solidly established enterprise, organized in present form in 1922. One of dominant factors in department store business of New York and Philadelphia and populous territories tributary to these important cities. Rapid expansion in recent years has resulted in growing volume of gross business, but expenses have increased still more rapidly so that benefits from consolidations have yet to become apparent.

Hayes Wheel, Common

34	3.0	8.8	8.02	23.6

Motor vehicle wheel manufacturer which progressed with automobile industry until first quarter of current year when net earnings failed to show gains corresponding with expansion in motor car production. Dividends not covered in first quarter suggesting inability to hold position against competition. Extra payments recently omitted. Position speculative owing to dependency upon single product in an industry subject to wide fluctuations.

Jordan Motor Car, Common

24	3.0	12.5	2.91	12.1

One of smaller manufacturers of medium-priced automobiles. Earnings and dividend record irregular. Company is an assembly proposition and hence has small fixed investment account and asset value of common is low. Competitive position appears uncertain in view of trend toward large scale, well-rounded units. High yield indicates insecurity of current dividend rate. Earnings in first quarter this year fell below corresponding period of 1925.

P. Lorillard, Common

33	‡2.0	7.8	3.78	11.5

One of former constituents of the American Tobacco Trust which has failed to hold its place in recent years owing to greater popularity of the cheaper brands of cigarettes in contrast with demand for higher-priced products manufactured by this company. Company's expected invasion of former field has thus far failed to materialize. Dividend policy recently altered by payment of 8% in stock in lieu of former 12% cash on the $25 par value shares.

Manhattan Electrical Supply, Common

85	5	5.9	6.02	7.1

Manufacturer, jobber and retail dealer in electrical and radio supplies. Business has produced fairly steady income, but no pronounced gain from year to year. Amount realized from sale of battery business in April last will probably be employed in expansion along other lines. Too early to predict effect of such policy on earnings. Substantial gain would seem necessary in order to justify current price of stock.

Maytag, Common

23	2	8.7	2.74	11.9

Leading factor in production and sale of electric washing machines. Has shown steady and substantial growth, but better opportunities seem available elsewhere in low priced stocks, due in part to menace of increasing competition in a comparatively new industry, and in part to large capitalization which requires maintenance of good earnings to meet dividend established on shares offered to public.

Moon Motors, Common

24	3	12.5	6.13	25.6

One of smaller units in motor industry. Principal parts of Moon and Diana cars purchased from other concerns and assembled by company. Last year's earnings unusually large and not a criterion of past and current showing. High yield suggests uncertainty as to maintenance present dividend rate. General trend favors larger producers of passenger motor cars owing to keen competition, and is away from assembled car.

Reynolds Tobacco, Class B Common

97	5	5.1	7.44	7.7

One of three largest tobacco and cigarette manufacturers. Substantial growth in consumption of domestic brands of cigarettes, particularly "Camels," company's principal product, has been reflected in large and steadily increasing earnings, and tremendously strong financial status. No question of soundness of issue, but market seems to have fully anticipated prospects for time being.

Savage Arms, Common

78	4.0	5.1	5.85	7.5

Former fire-arms and explosives manufacturer revitalized after post-war debacle by entrance into business of making household devices, including washing machines, electric refrigerators, etc. In sound financial condition and free of funded debt. Earning capacity does not appear very definitely established, however, and stock has apparently outdistanced more immediate prospects.

‡ Payable in stock. † Plus extras.

Switch *Into* These Stocks

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price

General Railway Signal, Common

90	†4.0	4.4	5.06	5.6

Maker of railway safety devices. Subsidiary company manufactures household washing machines, etc. Earnings in former years somewhat erratic, but has forged ahead rapidly in past two years owing to development of train control and car retarder patents. In excellent position to further increase income in view of compulsory adoption of train control equipment by railroads.

International Harvester, Common

132	6.0	4.6	16.32	12.3

Dominates farm implement industry and has substantial production of motor trucks. Earnings in last two years have reflected the recovery of agriculture and seem likely to approach the level of pre-depression years in the current twelve months. Exceptionally strong in fixed assets and working capital. Could readily pay higher dividend rate. Current yield not a material consideration in view of company's prospects.

Kennecott Copper, Common

57	4.0	7.0	5.34	9.4

By virtue of extensive acquisitions and holdings in other copper companies, Kennecott has reached position as one of most important factors in copper industry. Conservative capitalization and low costs, in addition to strong financial status and capable management assure good showing even in face of relatively depressed market for the metal. Still offers yield out of line with other leading stocks in the copper group.

Loew's, Inc., Common

42	2.0	4.8	4.44	10.5

Owns or controls an extensive chain of popular motion picture and vaudeville houses operating throughout the United States. Also has foreign interests. Holdings comprise complete unit for production of amusements. Net income has shown progressive increase since 1923. Substantial share of profits is derived from company's subsidiary, Metro-Goldwyn Pictures. Latter has been making rapid progress. Good prospects for larger dividend.

Mack Trucks, Common

130	6	4.6	13.62	10.5

Occupies foremost position among manufacturers of commercial motor vehicles. Volume of business continues to show phenomenal gains. In view of potential market for trucks and busses, the latter a field almost untouched as yet, further growth would seem to be subject to only minor interruptions. Stock is popular trading medium and has wide intermediate swings, but cannot be regarded as overvalued based on reasonable expectations of earnings.

Magma Copper, Common

40	3	7.5	2.34	5.9

One of very few American properties capable of producing copper at a cost approximating as low as 8 cents a pound. Large sums expended in development since war and in making mine self-contained unit are bearing fruit. Production of copper well under capacity and further development still being actively pushed. Fundamental outlook for industry better than for long time, and company should derive full share of resulting benefits.

Missouri Pacific, Common

39	..	..	4.90	12.6

Road reorganized in 1916, which has made remarkable progress in last two years. With direct and indirect control exercised over other roads, company rapidly gaining important position in southwestern section and in country as whole. Common dividends somewhat remote and must await provision for accumulations on preferred. Stock essentially a long pull proposition, but has eventual prospects such as to reward patient holders.

National Dairy Products, Common

72	3	4.2	6.56	9.1

Organized only in 1923, record of company has been one of steady expansion through acquisition of large number of non-competing ice cream and milk concerns in various parts of country. Most important addition was Sheffield Farms, taken over last year. Business largely depression-proof. Net income has shown gain every year. Current earnings at annual rate of $8 per common share. Stock returns low yield, but appears attractive for pull.

National Supply Co. of Del., Common

66	4.0	6.1	5.71	8.5

Conservatively managed and one of most important makers of equipment for oil industry. While earnings are subject to variation due to intimate relation to petroleum business, company and its predecessors have long record of success. Funded debt nominal. Working capital position exceptionally strong. Improvement in oil business reflected in sharply increased profits this year. Recent dividend increase does not seem to measure full possibilities.

Switch *Out of* These Stocks

Shattuck (Frank G.), Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
63	2.0	3.2	4.03	6.4

Operates popular chain of high class confectionery stores and restaurants in large cities, principally New York, under style of "Schrafft's." A well established and aggressive enterprise still undergoing expansion, but stock price sets a rather liberal estimate upon future possibilities. Current yield decidedly meagre.

Sloss-Sheffield Steel & Iron, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
135	6.0	4.4	15.10	11.2

Country's largest maker of merchant pig iron, exceptionally well favored by low operating costs and labor conditions. Has well balanced and conservative capitalization and is capable of showing large balance for common stock under reasonably favorable conditions. Current dividend rate is conservative in view of probable showing for this year, but advance in shares has discounted outlook rather generously.

Symington Co. Class A

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
17	2.0	11.8	2.43	14.3

Maker of sundry railroad equipment, including journal boxes, draft-gear and the like. Business, formerly closely held, was capitalized in present form in December, 1924. Financial condition good, but not such that company could reasonably hope to maintain dividends in face of poor business for any length of time. Record unimpressive. Class A dividend not covered in first quarter. An uncertain speculation.

Texas Gulf Sulphur, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
170	10	5.9	8.96	5.3

Lowest cost sulphur properties in world. Competition so limited that company is able to pretty well control sulphur situation. In position to pay out practically all earnings in form of dividends. Advance in sulphur market has materially increased earnings. Life of properties estimated 20 to 25 years. Stock has thin market and immediate movements uncertain, but it appears too high for sound holding at this time.

U. S. Rubber, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
61	..	..	14.94	24.5

Current earnings, as in case of company's large competitors, fall far short of measuring up to 1925 standard due to less favorable conditions in industry. Severe drop in crude rubber market an adverse factor. Inventory losses and lower tire prices reducing margin of profit. On strength of potential earnings of company and its rubber plantations, stock should be attractive at some future time, but hardly at present.

Universal Pipe & Radiator, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
25	..	..	def.	...

Company formed to combine and reorganize business of Iron Products Corp. and Central Foundry Co. 1925 earnings well under previous year. Nothing in earning power as yet to warrant optimism. Improvement in financial condition made possible only through sale of additional stock. Stock has been subjected to considerable manipulation at various times, but appears liberally valued even at present levels.

Ward Baking, Class B Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
35	..	..	2.19	6.3

One of several comparatively recent baking combines. Unexplored possibilities of baking industry were such as to appeal to public in high degree and stock was bid up to inordinate heights in prospect of a giant merger which was disallowed by Government. Class A and B share equally after A receives $8 per annum. Initial dividend recently paid on Class A. Class B still far below peak price, but too high in light of early earnings prospects.

Switch *Into* These Stocks

Peoples Gas Light & Coke, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
122	8.0	6.6	11.55	9.4

Supplies gas requirements of Chicago virtually without competition. Earnings have shown steady improvement since passing of abnormal post-war cost period. Revenues growing with industrial expansion in territory served. Shares are selling out of line with public utility stocks of similar grade, probably because of overemphasis upon rate litigation with the City of Chicago.

Phillips Petroleum, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
47	3.0	6.4	5.12	10.9

One of leading independent units in production of natural gasoline and crude oil. Enjoys strong management and has shown substantial expansion in past few years. Comfortably supplied with working capital. Very small amount of funded debt or bank loans. Net earnings this year have scored good gain over last, fully reflecting improved status of oil industry. Could pay larger dividend.

Reid Ice Cream, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
47	3.0	6.4	7.36	15.6

One of more important outgrowths of recent movement toward centralization of ice cream manufacture. Operates in densely populated New York and New Jersey districts. Product enjoys high reputation for quality. Business quite stable with good prospects for sustained growth. Also distributes sundry dairy products. Shares seem decidedly out of line with earning power and outlook.

Remington Typewriter, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
117	..	..	16.16	13.8

Spectacular recovery in earning power in recent years. Under present management has adopted aggressive policy and assumed important position in industry. In 1924 acquired controlling interest in Noiseless Typewriter at no expense to itself, since which this subsidiary has made definite upward progress. Company in position to resume common dividends at any time. Stock does not appear to have fully discounted large earnings.

Schulte Retail Stores, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
49	8% Stock	8	5.10	10.4

Second largest chain of cigar stores to number of about 300 extending over various sections of country. Also extensive real estate interests. Surplus earnings to date have been employed in expansion. No cash dividends as yet on common. Dividends formerly paid in preferred stock, but now in common stock. Stock assumes activity only at intervals, but offers good chance of market enhancement over reasonable period.

White Motor, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
61	4	6.6	6.32	10.4

One of leading factors in manufacture and sale of commercial motor vehicles. Conservatively managed, strong financial position maintained. Despite marked expansion of output, no new financing for several years until such action became imperative a few months ago to meet rapidly growing demand for trucks and busses. Old dividend rate maintained on increased shares, and still covered by comfortable margin. Stock not high on basis of reasonable prospects.

Youngstown Sheet & Tube, Common

Recent Price	Annual Dividend	Yield %	Per Share Earnings 1925	% Earned on Market Price
90	4	4.4	12.38	13.7

Third in size among U. S. steel manufacturers, second only to Bethlehem among independents. Well managed enterprise which has consistently reinvested bulk of earnings in business, thus accounting for moderate dividend and yield. This policy is being reflected in substantial per share earnings during favorable years for industry, and current year to date is no exception. Stock appears not to have received recognition it deserves.

The Metamorphosis of Beth. Steel

Improved Operating Position Not Fully Discounted—An Interesting Comparison Between the "Old" and "New" Bethlehem

By FREDERICK H. DAVIS

IN looking for a yardstick with which to measure the value of Bethlehem Steel, investors frequently resort to a comparison with the United States Steel Corporation, an appraisal that obviously is of little value especially when the latter issue is involved in a stock market situation that carries it up twenty points in a few weeks. Nevertheless, a suitable yardstick is of some aid in the search for stock market values, which, after all, are only relative and can frequently be determined by a fitting comparison.

Comparing Old and New Bethlehem Steel

	The Old Bethlehem Steel (as of Dec. 31, '21)	Bethlehem-Lackawanna (as of Dec. 31, '22)	Present Bethlehem Steel (including Cambria and Midvale) (as of Dec. 31, '25)
Common Stock*	$59,862	$82,470	$180,152
Preferred Stock*	44,908	57,407	59,891
Bonds*	146,432	156,611	226,489
Steel Ingot Capacity†	3,050	4,890	7,600
Common Stock ($ per ton capacity)	19.6	17.2	23.7
Preferred Stock ($ per ton capacity)	11.1	11.3	7.9
Bonds ($ per ton capacity)	48.0	32.0	29.8
Total Capitalization ($ per ton capacity)	78.7	60.5	61.4

* Par value amount outstanding with 000 omitted.
† Tons with 000 omitted.

In this connection, investors and traders point out that Bethlehem Steel common continues to hover below its low point for the years of 1922 and 1923—the merger years—and its low for this year is similar to 1924 and 1925, while the price range in these two years allows room for still further improvement in the current price. In other words, they claim that the selling price of the shares suggests that the striking improvement in the corporation's operating position has been entirely offset by changes in capitalization.

On the other hand, a widespread belief exists to the effect that fundamentally the position of the corporation from an operating standpoint has been bettered to a considerably greater extent through the Lackawanna-Midvale-Cambria acquisitions than the accompanying changes in capitalization. If this conventional opinion is correct, then a potential price improvement is in the offing, irrespective of the stock market performance of other steel company shares or the immediate resumption of dividends. Our investigation, therefore, proceeds first in this direction.

When Bethlehem Steel acquired the properties and assets of Lackawanna-Midvale-Cambria in 1922 and 1923, it increased its steel ingot capacity some 4.5 million tons per annum, but as shown in the accompanying box, the additions to stock and bond account were comparatively smaller. The net result is a decrease in the total capitalization (common, preferred and funded debt) from $78.70 per ton of ingot capacity in 1922 (before the Lackawanna merger) to the present figure of $61.40 per ton. Merely to indicate that the present capitalization per ton of ingot capacity is moderate and with no thought of continuing the comparison any further, it might be pointed out that the Steel Corporation's capitalization per ton of ingot capacity is $59.70—less than two dollars per ton difference. The accompanying box outlines, in a sense, the metamorphosis from the "old Bethlehem" to the "new Bethlehem" and shows, among other things, how the funded debt per ton of capacity was reduced from $48 (an admittedly high ratio) to $29.80 with a corresponding cut in preferred dividend charges per ton of steel ingot capacity. These figures confirm the conventional viewpoint as far as additions to both capacity and capitalization are concerned.

Yet, there is more to be said of the "new Bethlehem" than merely an improvement in capacity position to capital. Properties acquired by the merger have been modernized and co-ordinated through an extensive improvement program, started a few years ago and now nearing completion, which involved an expenditure in excess of 80 million dollars. This was paid for partly in the sale of bonds (which are included in the above figure of debt per ton of capitalization), partly from appropriated surplus account and partly from earnings. *In other words, reduction in capitalization per ton of capacity was accompanied by greater operating efficiency,* a *considerably greater diversity of finished and semi-finished capacity and control of raw materials sufficient for* 100 *years' operations at the present rate.*

Theoretically, it is calculated that the improvements to the corporation's properties during the past few years will reduce operating costs around $5 a ton under favorable operating conditions. Just how much progress has already been made in this direction is reflected in the 1925 annual report. With average prices received (by Bethlehem), about $3.50 a ton less than in the year 1924, the net operating profit per ton was only 36 cents less. It is argued that, had prices remained the same as in the previous year, the net operating profit would have increased over $3 a ton—representing a reduction in operating expenses of a corresponding amount. This argument is not infallible, of course, but the figures indicate *an undeniable tendency toward increased operating efficiency.*

The ability of Bethlehem Steel to hold operating profits within 36 cents per ton less than the previous year, in spite of the lower average prices received, was due in some measure to the higher rate of operations—70.3% of capacity in 1925 as compared with an average of 58.2% in 1924. This is one of the facts sometimes cited to refute the argument that 1925 operations have shown *a real reduction in operating costs.* However, it should not be lost sight of that the acquisition of new properties and their physical improvement enabled Bethlehem to operate at the rate mentioned last year.

Much of the new plant capacity acquired was for finished products and the corporation is now in a position to

use more of its own steel ingot output and is compelled to depend less upon the merchant trade to approach its maximum capacity. During the time that plants were being renovated and improved, the corporation had a lot of idle capacity on its hands which naturally made inroads into the yearly net earnings figure. This condition, however, is fast becoming a historical fact rather than a present operating obstacle as the improvement program nears completion.

These are the operating factors that have made it possible for Bethlehem to show earnings of $5.30 per share during the full year 1925, compared with $2.56 in 1924, and $4.40 a share in the first six months of 1926, notwithstanding certain abnormal writeoffs in the first quarter. This earning power, if sustained throughout the year, is equivalent to better than 18% on the current market price of the common stock—this in itself being a yardstick of value that one cannot afford to overlook. U. S. Steel common is earning around 9% of its current market price.

At this writing, Bethlehem Steel is operating around 78% of its capacity which appears to be a conservative rate of activity and one that has been approximated uniformly so far this year. The latest official report of unfilled orders showed an increase compared with decreases in tonnage booked in the earlier part of the year. New finished capacity will help a great deal in sustaining operations even though a slump in steel business should develop later in the year. For example, the structural steel mills at Lackawanna, the Gautier bar mills at Cambria and the rod, wire and nail departments at Sparrows Point, in the aggregate, add over 850,000 tons of finished products, which in turn require more than 1.1 million tons of steel ingots. The latter figure is almost 15% of Bethlehem's total steel ingot capacity—a nice backlog to fall back on when the present wave of steel buying dissipates itself.

Looking forward to the future probabilities for the iron and steel industry, it seems likely that certain of the heaviest buyers of steel products are attracted by the existing price level to place business in heavier amounts than they can reasonably be expected to hold to through the balance of the year. A large volume on a narrow operating profit gives the Steel Corporation an advantage over the so-called independent companies because of the low operating costs of the former. Should volume taper off, however, the Steel Corporation's operating costs would rise in proportion and it is generally recognized that the operating costs of the "big company" is a determining factor in iron and steel prices. On the other hand, the price of steel products is an important consideration to Bethlehem. *Looking at the picture from the least favorable standpoint, therefore, one still finds Bethlehem's outlook for the future quite promising. The stock, therefore, may be considered a good long-range speculation.*

Preferred Stock Guide

These stocks are selected as offering the best opportunities in their respective classes, taking into consideration assets, earnings and financial condition of the companies represented.

For Income

HIGH GRADE INVESTMENTS

RAILROADS	Div. Rate $ per Share	Div. Times Earned—5-Yr. Av'r'ge	Redeemable	§ 5-Yr. Price Range High	Low	Recent Price	Yield %
Baltimore & Ohio	4 (N)	F4.75	No	67	47	73	5.5
Chicago & Northwestern	7 (N)	....	No	125	95	124	5.6
Chesapeake & Ohio Conv.	6.5 (C)	F14.8	115	F130	F96	149	4.3
N. Y., Chicago & St. Louis	6 (C)	F3.7	110	H98	H86	100	6.0
Colorado & Southern 1st	4 (N)	7.5	100	66	47	72	5.6
PUBLIC UTILITIES							
Columbia Gas & Electric	7 (C)	T6.1	115	T114	T103	115	6.1
North American	3 (C)	6.1	52.50	50	31	51	5.9
Philadelphia Company	3 (C)	6.5	No	49	30	50	6.0
Public Service New Jersey	8 (C)	3.4	No	F119	F95	121	6.6
INDUSTRIALS							
American Smelting & Ref.	7 (C)	2.4	No	115	63	118	5.9
American Steel Foundries	7 (C)	6.6	110	113	78	113	6.2
Armour & Co. of Del.	7 (C)	2.3	110	H100	H84	94	7.5
Associated Dry Goods 1st	6 (C)	3.9	No	102	55	100	6.0
Baldwin Locomotive	7 (C)	2.6	125	117	95	111	6.3
Brown Shoe	7 (C)	F4.4	120	109	70	109	6.4
Cluett, Peabody	7 (C)	3.7	S125	110	79	114	6.1
Endicott Johnson	7 (C)	4.8	125	119	87	117	6.0
General Motors	7 (C)	F13.9	125	115	63	119	5.9
Studebaker Corp.	7 (C)	25.0	125	125	83	120	5.8

For Income and Profit

SOUND INVESTMENTS

RAILROADS	Div. Rate $ per Share	Div. Times Earned—5-Yr. Av'r'ge	Redeemable	§ 5-Yr. Price Range High	Low	Recent Price	Yield %
Colorado & Southern 2nd	4 (N)	7.0	100	62	35	65	6.2
Kansas City Southern	4 (N)	2.7	No	59	45	67	6.0
Pere Marquette Prior	5 (C)	8.5	100	85	50	93	5.4
St. Louis-San Francisco	6 (N)	9.1	100	92	28	91	6.6
Bangor & Aroostook	7 (C)	2.5	110	F100	F86	100	7.0
PUBLIC UTILITIES							
American Water Works & El.	7 (C)	4.1	110	103	48	105	6.7
Federal Light & Traction	6 (C)	5.0	110	T89	T74	87	6.9
Kansas City Pr. & Lt.	7 (C)	T3.1	115	H109	H91	110	6.4
Hudson & Manhattan R. R. Conv.	5 (N)	4.5	No	F72	F25	79	6.3
West Penn Electric	7 (C)	....	115	O100	O96	100	7.0
INDUSTRIALS							
Allis-Chalmers	7 (C)	2.4	110	109	67	109	6.4
American Cyanamid	6 (C)	3.1	120	96	52	90	6.7
Bush Terminal Buildings	7 (C)	1.1	120	103	87	103	6.8
Commercial Credit 1st	6.5 (C)	....	110	N99	N92	92	7.1
Cuban American Sugar	7 (C)	F8.2	No	106	68	103	6.8
Genl. American Tank Car	7 (C)	3.1	110	F104	F86	105	6.7
Gimbel Brothers	7 (C)	4.3	115	F114	F95	106	6.6
Goodrich (B. F.) Co.	7 (C)	F2.7	125	102	62	96	7.3
Loose Wiles 1st	7 (C)	3.3	120	112	93	118	5.9
Reid Ice Cream	7 (C)	T6.9	110	O100	O92	99	7.1
U. S. Cast Iron Pipe	7 (N)	3.7	No	113	38	107	6.5
U. S. Industrial Alcohol	7 (C)	4.3	125	115	84	105	6.7

SEMI-SPECULATIVE

PUBLIC UTILITIES	Div. Rate $ per Share	Div. Times Earned—5-Yr. Av'r'ge	Redeemable	§ 5-Yr. Price Range High	Low	Recent Price	Yield %
Brooklyn-Manhattan Transit	J6 (C)	T3.0	100	83	34	85	7.1
INDUSTRIALS							
Bush Terminal Debentures	7 (C)	T1.8	115	N89	N80	93	7.5
Consolidated Cigar	7 (C)	2.5	110	96	53	103	6.8
Dodge Bros.	7 (C)	....	105	O91	O73	88	8.0
International Paper	7 (C)	1.6	115	N99	N86	95	7.4
Mid-Continent Petroleum	7 (C)	F1.6	120	F109	F80	98	7.1
Orpheum Circuit Conv.	8 (C)	2.6	110	F107	F84	103	7.8
Pure Oil Co.	8 (C)	4.2	No	F108	F82	111	7.2
Radio Corp. of America	3.5 (C)	3.4	55	54	45	48	7.2
Universal Pictures 1st	8 (C)	7.6	110	O103	O94	97	8.2

SPECULATIVE

RAILROADS	Div. Rate $ per Share	Div. Times Earned—5-Yr. Av'r'ge	Redeemable	§ 5-Yr. Price Range High	Low	Recent Price	Yield %
Chicago, Rock Island & Pac.	7 (†)	1.2	No	99	15	102	6.9
Gulf, Mobile & Northern	6 (C)	F 1.6	105	105	68	106	5.7
Wabash "A"	5 (N)	....	110	73	18	74	6.8
Western Pacific	*6 (C)	F0.9	105	86	51	84	7.1
INDUSTRIALS							
First National Pictures 1st	‡8 (C)	T4.7	115	N110	N100	103½	‡
Goodyear Tire & Rubber	7 (C)	1.7	S110	H114	H35	109	6.4
Remington Typewriter 2nd	8 (C)	3.3	No	113	47	115	7.0
Willys Overland	7 (C)	....	110	123	23	95	7.4

* Cumulative to extent of 2 yrs. divs. † Cumulative up to 5%. ‡ Participates in excess earnings; paid $1.44 extra in March. J—After July 1, 1926. F—Four years. H—Three years. T—Two years. S—For sinking fund. N—Price range 1926. O—Price range 1925. § 1921-1925.

It Depends How You Look At It

AN intimate friend of ours took out a pencil and paper the other day and figured it all out in black and white why it would not pay him to save money. His logic was of the most simple variety. First he calculated the yearly total of certain expenses which he could avoid and found that the maximum for savings from these sources was $500 a year.

"If I keep this up for twenty years," said our friend, "all I would have anyhow would be $10,000. When invested conservatively, say at 5 per cent, the income from my twenty years of sacrifice would amount to $500. In other words, by doing without a number of unnecessary things for twenty years I would get enough income to resume at age 55 where I left off at age 35."

"Well, Tom," we replied to this splendid bit of reasoning, "it all depends how you look at it."

This seemed sufficiently non-committal to avoid a discussion on such an absurd basis and a bold attempt was made to shift the theme of our conversation to the political outlook and the price of potatoes in Maine. But to no avail. Our friend persisted.

"You admit then, that for anyone in my situation at least, saving of odd sums is the bunk?"

Apparently we were not going to be given a gentlemanly opportunity to withdraw. So we queried hopefully, "By the way, Tom, do you remember Willie Wiggins, the sandy haired lad who sat next to you in school?"

"Yes, but what has that to do with my question?"

"Well, he is doing pretty well. He is in business for himself—partner in a small export business. Where do you suppose he got his capital?"

"I didn't know he had any money," our friend said, still waiting for a reply to his question.

"He probably did not have $5 to his name when he left college," we said, having sprung the trap. "But he was foolish enough to save some of the odd sums that you were talking about a little while ago. He put $40 a month into Building and Loan shares when his salary was only $175 a month—and kept it up too, for over eleven years without fail. Last year his shares matured for $8,000 cash. He was working for a small concern that needed ready cash and offered him an interest in the business for $7,500. Last year the business earned enough to distribute 25% on its capital and its still growing. Of course, he also continues to draw commissions but the investment is adding just exactly $1,875 a year to his income. Not bad, for odd sums, is it?"

B & L Shares—The Cornerstone of a Notable Fortune

From Modest Savings of $10 a Month to Riches—An Inspiring Message to "Small Investors"

By HARVEY M. TOY
"Champion Thriftor of the United States"
As Told to
George M. Rogers

Editor's Note—California is justly proud of a native son who is credited in Building and Loan circles as being the Champion Thriftor of the United States in the person of Harvey M. Toy, president of the Metropolitan Guarantee Building-Loan Association of San Francisco, and an investor in twenty-five different associations to the extent of a round half-million dollars. Some time ago, the BYFI editor attempted to induce Mr. Toy to abandon his characteristic reticence and tell his story to the readers of this department—with little success. Finally, through the good offices of Mr. George M. Rogers, an eminent Banking and Loan authority and associate of the Champion Thriftor, we are able to present Mr. Toy's inspiring story in his own words.


Harvey M. Toy

I FOUND Mr. Toy in his private office at the Metropolitan Guarantee Building-Loan Association, San Francisco, of which he is president. On making known the object of my interview; namely, to record his experience with building-loan shares, he was, at once, "at attention," and as enthusiastic, as such a careful, successful business man ever becomes. Mr. Toy is a large property owner in San Francisco, Los Angeles and other California cities and he unqualifiedly credits his rise from a $100 per month clerkship to his present financial position, to his consistent saving in building-loan. But to quote his own story:

"One day, when I was a young fellow with a growing family, I picked up a building-loan leaflet, which showed the earnings that were possible, by saving $10 per month. I visited the offices of the association, which issued the leaflet, studied the matter carefully and concluded to invest ten per cent of my income, or $10 per month therein. I have steadily followed this practice through all the 22 years which have since elapsed, always, as income increased, consistently adding to the volume of my building-loan accounts, so that at least ten per cent of my receipts were so invested.

"Every year that has passed has confirmed the wisdom of my course for I have had absolute security at all times, have never lost a penny of either principal or interest in any association and have had at all times, complete availability; that is, ability to "cash in" at the building-loan associations' offices any or all portions of any of my accounts at any time. This availability feature has enabled me to take advantage of a number of profitable opportunities to my further financial advantage."

I am aware of the fact that Mr. Toy's building-loan accounts exceed half a million dollars, distributed among 25 different associations, and inquired why he continued to employ such a large amount in this medium of investment. Valuable as he has found building-loan to be for the consistent and persistent saver, yet it is the work accomplished by these associations, that continues to hold his interest.

"Primarily," he said, "building-loan is the most profitable, safety and availability considered, of all forms of investment, but this is only a part of their work. There is a higher feature to this movement which must appeal to all who have thought of the continued progress of the community, the state and the nation. Every dollar collected by building-loan associations, goes into first trust deeds, or first mortgages on real estate and probably over 95 per cent of the loans are for home-building. These loans are repaid in small monthly installments stretching over from 10- to 14-year periods, thus making it possible for families to acquire homes of their own on practically the same amount of monthly payments, as are ordinarily spent for rent.

"Since the American home is the very foundation of American liberty, it clearly follows that any agency which contributes to home-ownership is a splendid contributor to a better Americanism. The fellow who is steadily, month by month, acquiring a continually larger ownership in his home, is not the fellow who is preaching or practicing the doctrines of discontent. He is a better citizen because of his property acquirement. For this reason he takes an interest in his city.

"Thus building-loan associations are not alone conservators of savings, inculcators of thrift and poverty reducers, but they are home providers and are contributors to education, health and good citizenship. The fact that 70 per cent of the homes now being built in America are being financed by the building-loan associations is evident of both their great need and how splendidly they are filling that obligation to America. Everybody is benefited and nobody is injured by the operation of our building-loan associations."

A Charted Road to Prosperity

The Experiences of One Investment Beginner that Should be Helpful to Others

By OSCAR A. GLAESER

THE saying is that mighty Oaks from tiny Acorns grow. This fact in terms of money was very hard for me to grasp, and has taken me several years to believe. Incidentally it has cost me a few thousand dollars, in that my beginning to build that mighty oak has been delayed. However, the loss is small if I have learned my lesson and lose no more time in contemplating the task at hand.

Some years ago when I had just reached my twenties I was employed by a large organization, whose name by the way appears frequently in your columns. They were contemplating the reorganization and absorption of another company. We all had a pretty good idea of what would happen to the stock of the other company once the facts became known. When the time was at hand, some bought stock of the company to be absorbed. Within six months theirs was indeed a lucrative reward. Others, myself included, did not have the courage of our convictions. Today we tell what we might have done. Mark well "The Courage of Your Convictions."

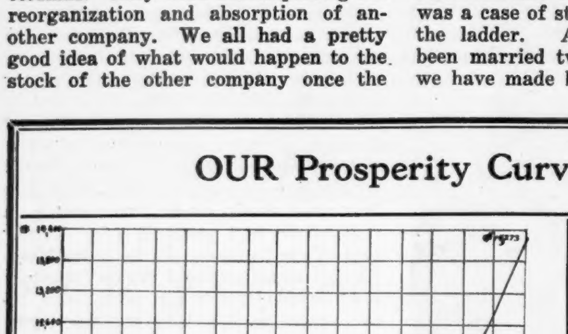
The experience I have cited was of course of a speculative nature, but it serves my purpose well. *You must act if you wish to win.*

My wife and I come from families of moderate means, who gave us a good education and then wished us well. It was a case of starting at the bottom of the ladder. And now after having been married two and one half years, we have made but very little progress in a material way. We have, however, not been idle, but have gathered some data upon which we have built our prosperity curve. While we are at the wrong end to say whether the curve can be negotiated, we feel that it is entirely possible.

How many young couples are there who wish that they could see even a very faint light of financial independence on life's horizon? Many of them like ourselves have a monthly income of only $250 or even less. What encouragement have we ever received, what guidance has anyone ever given to help us toward that happy goal. An income of $5,000 a year is, as a rule, the lower limit when it comes to discussing financial matters. There is, however, a big army of us youngsters who have still to attain that $5,000 a year mark, but who must begin now to build their mighty oak.

Those of you who say that it is impossible to build an estate on a small income, and those of you who throw up your hands and despair at the task, take heart for it is entirely possible, and once on the road it becomes a pleasure.

OUR Prosperity Curves



The "C" Curve

The key to success in this plan is the "C" curve which, representing compound interest, adds over five thousand dollars to your accumulating savings in the fifteen year period. This is equal to almost eight years of saving, with simple interest at the same rate of 6%. The chart thus presents a graphic picture of what your savings can do for you if you give them a chance.

Trying Out the Budget Plan

From the very first day of our married life we kept an accurate account of our expenses. At the end of the first six months we made up a budget. But we were still too inexperienced and so after a six months' trial the budget had to be revamped, and increased. A few months later I changed positions. We moved nearly 2,000 miles from home, and to a community where the cost of living was a great deal higher. Again we just watched expenses, and kept books after a fashion.

It was at this time that a serious accident befell me and the hospital claimed me for months. But even here fortune favored me. A friend brought me a number of copies of THE MAGAZINE OF WALL STREET. I read them from cover to cover, and asked for more. I have not missed a single issue since. It is from its pages that I evolved the idea of our prosperity curve.

When I left the hospital late in fall we immediately laid plans for the new year. We worked out a tentative budget and since the housekeeping expense account books which we were familiar with did not suit our needs we made one up of our own.

Our budget calls for a monthly saving of fifty dollars for the purpose of investing in sound securities. This we have been able to maintain very nicely. Fifty dollars a month is not much, but it is considerable when it has to be saved out of small earnings. Again $600 per year is not much but it requires considerable courage and constant vigilance to accumulate this sum out of a weekly paycheck.

To build up a little encouragement I tabulated the savings and interest, compounded semi-annually, for a period of fifteen years. The result is rather startling. To make it more impressive I drew a series of curves, interpreting graphically the figures in the table. It is remarkable with what rapidity the curve rises in the money scale once it is well started on its course. As a basis of calculation I have assumed that the monthly savings are accumulated for a period of six months. Then invested to bring 6% interest. The interest or dividends again turned into the fund for the next investment date. This has been done merely for convenience in calculations. In living up to the curve our principal concern is not to fall short. If we exceed it, and are able to do so regularly, so much the better, for then we can assume a curve with a little steeper grade.

The curve ought to be an eloquent appeal to those who would like to save but think it hopeless. It is built up of small sums of money paid in regularly, and followed with an ironbound rule that all interest and dividends must be reinvested. We have assumed the attitude that the return does not belong to us, but that it is owned by our prosperity fund, and each dividend check is deposited accordingly. We would not break this chain for anything. It must go on, and that is the secret which we believe will spell success.

The beginning is not easy, for it is only cold facts and figures which you have to guide and inspire you, and as a rule they are all too cold and forbidding, but if you can call on your imagination to help you over the rough spots, I assure you that after dividend checks come drifting in you will need no outside help to spur you on. Each little check will be a new inspiration, which will move you to greater accomplishments as time goes on.

In the matter of investment suggestion for others, I defer to the BYFI Department of your magazine and its far better advice than I can ever hope to give. However, I will venture a few suggestions. There are the Building and Loan Associations, when chosen wisely, which can furnish a safe background for the beginner.

American Telephone & Telegraph stock, now quoted around $140 per share and paying a return on the investment of 6.4%, ought to be the pet stock of every beginner. You can buy it on the "installment" plan through your broker or you can go to the Telephone office and tell them what you are after. Furthermore, you can buy any number of shares you wish. Nor will the Telephone company increase their price when purchased that way, even if the stock appreciates in value while you are paying for it. Surely this is a pleasant and safe way to lay the foundation for your own independence day.

After thoroughly investigating we have also bought a few first mortgage bonds from nationally known bond houses. These bonds can now be insured as to principal and interest, whereby the holder of the bond forfeits only a half of one per cent of the dividends. Still the yield is good, from six to six and one half per cent. These too may be purchased on the installment plan. You can pay as little as $10 down and $10 per month and receive a good return on your money while paying for the bond. I will suggest no more, but will refer you to a far superior counsel, my friend the BYFI Department of THE MAGAZINE OF WALL STREET.

I have mentioned the above particularly to disprove the idea which is far too prevalent in most people's minds, namely that it is useless to try to do anything with small savings. If you are one of the beginners, with but a small salary or wages, think it over, spend a few cents on postage, do a little reading and become convinced that you can build up an estate; then, have the courage of your convictions, and act upon them. Be determined to reach the goal, remembering that in the strength of your determination lies success.

Last, but not by any means least, keep accurate records of your investment progress; they will give you much satisfaction when you are up to the mark and check you up when you fall behind. The budget is essential equipment for the future income builder. Make your budget practical to start with and then stick to it. A charted road to prosperity is the easiest road to follow and leads to prosperity.

BYFI Makes a Suggestion

to the Inexperienced Investor

These investment recommendations are now a regular feature for the guidance of BYFI readers. With the original selection of each issue, safety of principal has been a foremost consideration. Each issue is watched continuously and will be replaced at any time that it may become unfit for retention. Such changes will, of course, be brought to the reader's attention, if and when they occur.

THE FIRST $500

	Price	Yield
Savings bank accounts are recommended for deposit of regular savings, to yield	...	4 to 4½%
Shares of well managed Building & Loan Assn. are recommended on the monthly payment plan	...	5 to 6%
Endowment Insurance is a suitable medium for the investor and yields a return of	...	3 to 3½%
*Laclede Gas Light 1st and ref. 5s, 1953	103	5.25%

THE NEXT $1,000

	Price	Yield
†Baltimore & Ohio ref. 5s, 1995	98	5.10%
†Commonwealth Power 6s, 1947	105	5.55%
†N. Y. Steam Corp. 1st 6s, 1947	104	5.65%
†Western Pacific 1st 5s, 1946	99	5.10%

*Available in $100 units. †Available in $500 units.

$5,000 FOR INVESTMENT

	Price	Yield
Cuba R. R. 1st 5s, 1952	95	5.35%
American Sugar Ref. 6s, 1937	104	5.50%
U. S. Rubber 1st 5s, 1947	94	5.50%
West Penn Electric $7 Pfd.	100	7.00%
U. S. Smelting & Ref. $3½ Pfd.	48	7.30%

THE NEXT $5,000

	Price	Yield
Armour of Del. guar. 5½s, 1943	94	6.10%
Nassau Electric 4s, 1951	60	7.60%
Western Maryland 1st 4s, 1952	73	6.05%
Brooklyn-Man. Tr. $6 Pfd.	86	7.00%
International Paper $7 Pfd.	95	7.35%
American Tel. & Tel. common	145	6.20%

(a) This group is selected with a view toward probable enhancement in principal.

Four Investment Lessons for $3,338.36

The Old Story of Experience—a Costly Teacher, As Told by a Poorer but Wiser Speculator

By B. W.

THREE years at college on a liberal allowance, interrupted by a year in war service, brought up the question of whether to return to college or to enter business? That was the situation which formed a prologue for what follows.

Once discharged from the service—January 1, 1919—and being at that time twenty-three years of age, the weighty problem of whether it would be better to "enter business" or "attend" college for another year was quickly solved when a prominent business man asked a frank question for a frank reply.

He said, "Would you go back to college for the degree or the education?" With things as they were, I was forced to reply, "For the degree if possible." "Then," said the business man, "you had better go to work." "Go to work"—this had a rough, cold sound. I much preferred to say "enter business."

The next problem was—what to do? In this case, advice was sought (though not with the idea of accepting the same) from my father who, while he had graduated from college some thirty-five years previously, did not, I thought, know much of present day problems. Even at best, could he possibly know as much as I—fresh from college?

At length he advised, "Get a job in a Southern cotton mill, put on overalls, live as an operative and plug along steadily—learning and studying." Ridiculous advice, especially when I knew that unskilled labor in the cotton mills received only $13.75 at that time for a fifty-five hour week! I said nothing but mentally refused the advice.

Making Easy Money in a Boom Year

January 10, 1919, I went to work in a New York Stock Exchange House; bond salesman. Here we had short hours, beautiful offices, still more gorgeous, engraved business cards. The air of success made me believe that I was becoming prosperous.

Everybody was making money in the stock market—the 1919 boom then just starting. Having been left "Grade A" securities with a then market value of $3,700, I was prepared to double or quadruple the amount—easily too. I took the securities and without knowing whether the stock was of a toy factory or a poultry farm, I bought thirty shares of Royal Dutch and in one week made $300. This profit I pulled out; blew it in during the next week and planned to notify my dad what damn fool advice he had, at my request, handed out—$300 in one week when he had planned to have me make $13.75!

On went speculation! A friend informed me confidentially that Tonapah Divide had advanced from $1.00 to $9.00 and would hit $50 or better. Good! "Buy 300 Tonapah Divide at the market"—and shortly afterward I was the owner of 300 shares at 10½. The dope was wrong and in a month I sold at 7½. Stunned by the loss, I was prepared to make it up at once. The railroads on Monday would go back to private ownership. "No one of the many trading in Wall Street have realized this," thought I. So on the Saturday previous, I loaded up with the rails—Monday they were turned back to private owners and the prices dropped. Amazed at such market action, brokers informed me that the average advance had been 20 points, all discounting the feature I thought I had exclusive information regarding.

This is the epilogue of my story; brokers sent me margin calls—I had no money left, nor securities. They sold me out and sent me a check for $361.64, the balance due. June 15, 1919, I applied for a "job" at 25 cents per hour, at the Victor Monaghan Mills, Greenville, S. C.

Four Very Expensive Lessons

1—That thirty-five years' practical experience is better than three years in college.

2—That it is more profitable to stick to "Grade A" investments until one is prepared to assume risks in stock trading.

3—That the hardest job one can undertake is to try to make "easy money."

4—That a "good spender's" friends last only as long as the money holds out.

Two Weeks More!

It is not too late to enter the MID-SUMMER PRIZE CONTEST, conducted by the Building Your Future Income Department to stimulate interest in the investment experiences of the readers of this Department. The contest closes at noon Saturday, September 11th, so, if you have not as yet prepared your article you still have two weeks from the time this issue of the Magazine reaches you. The contest is open to everybody. Cash prizes will be paid to the winners, as previously announced, and other articles of merit will be published at the regular rate. Prizes will be awarded for practical money-making suggestions rather than for literary merit alone. Experiences relating solely to speculation are not desired.

This Is the First Installment of a Special Series of Insurance Articles Which Will Cover All Age Groups

Endowment Insurance Is Best in Early Years

Youth Has Its Own Peculiar Insurance Problem—Advantages of Starting Young

By FLORENCE PROVOST CLARENDON

IT is said that from Seventeen to Seventy are years of indiscretion. It may be. We neither affirm nor deny. With less cynicism, and more optimism, we say that from Seventeen to Twenty are Years of Anticipation. Children live in the present; old age lives in the memory of the past; but youth, standing on the threshold of life, eagerly anticipates the future.

The college student at twenty looks forward to the day when he will bid farewell to Alma Mater, and begin that anticipated career for which he has been training. The lad who has already commenced business life, after earlier years at school, keenly anticipates the promotion which will give the opportunity he craves—the chance to attain the success he has mapped out for himself. The Years of Anticipation!

One of the most important factors which make for the realization of any one of these visions of success is the cardinal virtue of thrift. Aside from inculcating a habit of economy, and a healthy spirit of self-denial, the practice of systematic thrift arouses a feeling of self-confidence and pride in attainment which can only be enjoyed by those who have learned that "a penny saved is two pence gained." Saving, as well as spending, is a habit that once formed will surely grow. The youth of twenty who has started a thrift fund by regular deposits has placed his foot on the first rung of the ladder by which he will climb to financial success.

A practical and easy way to save money when you are twenty is by paying premiums on a life insurance policy. From the first premium payment the foundation of an estate is laid. The advantage in building an estate in the early twenties by means of life insurance lies in the small investment necessary at young ages for premium payments, in the desirability of forming the habit of systematic saving, and in the fact that as the investor is then in the most vigorous period of life he stands an excellent chance of passing the necessary physical test required by the life insurance company.

The youth in receipt of a modest income may with little inconvenience pay premiums on an Endowment Policy which will yield to him later an attractive "nest egg." A young man 20 years of age can provide $5,000 on the 30 Year Endowment plan payable in his fiftieth year, for a yearly payment of about $121 (non-participating rate). This means a saving of $10 a month, or about $2.50 per week, to meet the yearly cost. If Youthful Twenty can't save that much without physical strain he is hopeless as a thrift-builder.

The cost of the above on a *participating* plan would be about 20% or 25% higher than that required by a non-participating company, reducible by annual dividends after the first year. The final cost under either plan works out about the same to the insured over a long period of years.

With payments of $121 each year for thirty years the total cost to the insured for this $5,000 Endowment would be only $3,630. He protects a beneficiary over this long term of years, beginning with the first premium payment, and he has the definite expectation of $5,000 for himself if he lives to be fifty. Meantime, the insured is yearly building up a loan fund under his policy, with attractive cash and other surrender values.

Regular systematic contributions to a thrift fund; protection for loved ones; an Endowment payable to the builder of the fund in the height of his manhood. Get a close-up of the picture; visualize the results. The proceeds of the policy at maturity, $5,000, will add (at 5%) $250 a year to income, while preserving the principal for use in later years; or the Endowment will pay for a trip around the world; or it will permit the more circumscribed adventure of investment in that vacation camp where you and your family can play round in holiday time. Systematic saving does it.

It is difficult for Youthful Twenty to visualize existence at age 65. He has a vague idea of complete decrepitude at that advanced time of life—fit only for a seat in the inglenook and meditations on the past. As a matter of fact, if a man is temperate and healthy, he usually enjoys a capacity for good work until he is at least sixty-five or older. He may naturally experience a decrease in vitality with the advancing years, and a desire to take life more easily. In such circumstances the insured under an "Endowment at 65," taken in early manhood, is Ace High in the game of life. The Endowment at 65 when taken at 20 costs but about $160 a year for $10,000. It protects a beneficiary over long years; it endows its holder at a time of life when it is most appreciated, yielding to the insured the fruit of his earlier thrift and foresight. If at age 65 a man applied $10,000 toward the purchase of an immediate annuity, he would (according to present quotations) get a return of about 11% on his investment—$1,090 a year guaranteed for life.

The Cost of Various Endowment Policies*

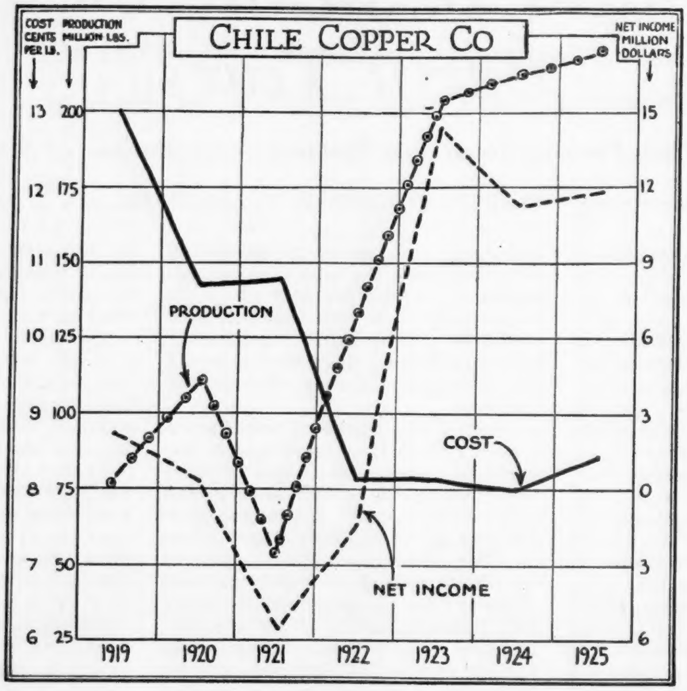
Age	20 Yr. End.	25 Yr. End.	30 Yr. End.	End. at 65
17	$40.00	$29.90	$24.02	$14.75
18	40.02	29.92	24.07	15.12
19	40.04	29.94	24.12	15.52
20	40.07	29.96	24.18	15.93

* These are non-participating rates, quoted for greater convenience to give the net cost.

Chile Copper Co.

The Treasure House of the Andes

Huge Ore Reserves Give Exceptionally Long Life to Mine—True Progress Not Revealed by Earnings



CHILE Copper Co. is a good instance of what can be accomplished by unified control and proper organization. From a heterogeneous and separately owned group of mining claims, operated at a consistent loss, the properties have been transformed into a compact unit ranking with the world's best in respect to volume of output, extent of ore reserves, and low cost of production.

It was not until 1923 that production exceeded 200 million pounds of copper and operations were placed on a definitely profitable basis. In that year dividends were inaugurated at a rate of $2.50 per share per annum, which has continued unchanged up to the present. Last year's earnings after all charges except depletion were equivalent to $2.72 a share as compared to $2.59 and $3.35 in 1924 and 1923 respectively. During this three-year period the price of copper metal reached the 15 cent level only for a brief space of time in 1923, and on the average ruled well below that figure.

While this earning power does not on the surface appear particularly impressive, it should be remembered that Chile's ores are low grade, and the company must therefore depend upon a large volume of production for its profits. The ore mined in 1925 averaged 1.592% copper. Then again, the large expenditures involved in placing the properties in commercial shape necessitated a somewhat heavy capitalization. There are nearly 4.4 million shares outstanding with a par value of $25 in addition to about 35 million 6% convertible bonds. It naturally requires a very large increase in income to make any pronounced impression on per share earnings.

On the other hand, the formation of Chile's properties is such that production can be increased substantially on short notice. Construction work is now under way which will increase the plant capacity to 350 million pounds of copper annually against a present capacity of about 240 million pounds. Should world consumption of the metal warrant it, the company will be in a position next year to materially enlarge its output.

Chile is unique among copper enterprises on a similar scale in its ability to quickly adjust its operations to changing conditions. It possesses the largest body of copper ore in one continuous deposit in the world. Sufficient ore is already developed to last more than thirty years at the present rate of production. Underlying this oxidized ore there are at least two bodies comparably extensive, and averaging probably a somewhat higher copper content. Altogether, the total of developed and undeveloped ores will, it is estimated, give a life of well over one hundred years.

Equipment is on a scale commensurate with the tremendous scope of the enterprise. The ore is extracted by means of electric shovels, which loads the rock on cars capable of handling 22,000 tons per day. The company's own railroad connects the mine with the plant. Leaching operations are conducted in nine concrete tanks with a capacity of more than 10,000 tons each. Besides the necessary crushing apparatus, there is a smelting plant, a power plant, a fuel oil handling plant, and two pipe lines for transporting water for plant needs.

Chile ranks with the world's lowest cost copper producers. Operations in 1925 were at a cost of 8.37 cents per pound after all charges except depletion. Only in 1924 did it fall below 8 cents, the spread in the past two years being due to increased taxes and depreciation charges. Costs of production automatically recede in conformity with larger volume of production, so that there are ample grounds for confidence that, when the additional capacity is utilized, costs may be permanently maintained below the 8 cent level.

Chile Copper Co. itself is a holding company only. The operating concern is the Chile Exploration Co., with a capitalization of only one million dollars, all of which stock is owned by Chile Copper. In 1923 a controlling interest in the latter's stock was acquired by the Anaconda Copper Co. Anaconda, although a dominant factor in the copper industry, has been at somewhat of a disadvantage in recent years in that its own mines are rather high cost producers judged by modern standards. Its position in this respect is naturally improved upon the inclusion of its share of the low cost South American production. The dividends received from Chile have been of great assistance in meeting its own heavy fixed charges, and on this account it may be inferred that no reduction in Chile's disbursement will take place unless such action is deemed absolutely necessary.

Chile Copper stock in the last four years has not offered much in the way of speculative profits. Its price range since 1922 has been only some 14 points, unusually narrow for a mining issue. It has, however, had the virtue of returning a consistently good yield.

In addition to the fact that copper market conditions have not been conducive to a sustained rise in the price of the shares, there is another factor which has tended to prevent the establishment of a higher level. This is the potential conversion of the 35 million

(*Please turn to page* 888)

What is Wrong With the Oils?

"One Thing After Another" Has Thrown a Wet Blanket Over the Enthusiasm of Prospective Purchasers of the Petroleum Issues

By ARTHUR P. KNIGHT

THE behavior of the oil stocks during the past few weeks is typical of a performance that is slowly but surely taking the joy out of life for the hopeful owners of petroleum shares. With a rising stock market in a number of the conspicuous industrial leaders and an advance of over fifteen points in the average price of leading stocks, the oils have been just one stage better than listless; and at the height of what might be characterized as a momentary "industrial share boom," the average price of seventeen leading oil stocks receded fractionally.

The Three-Year Comparative Price Range of Ten Leading Oil Stocks

Name	1924 Price Range High	1924 Price Range Low	1925 Price Range High	1925 Price Range Low	1926 Price Range High	1926 Price Range Low	Recent Price
California Pet. ..	29	20	34	24	38	30	33
Marland Oil	42	29	60	32	63	49	59
Pan-American "B"	65	44	84	59	78	56	68
Pure Oil	30	20	33	25	31	25	27
Shell Union	22	15	28	21	29	24	28
Sinclair Consol. ..	17	15	25	17	25	19	22
Standard of N. J.	41	33	47	38	46	40	44
Standard of Calif.	68	55	67	51	63	54	61
Standard of N. Y.	48	38	48	40	47	30	33
Texas Company..	45	37	55	42	56	48	54

Again and again during the past two years, traders are asking "what is wrong with the oil shares—fundamentals or surface discouragements?" Certainly not the former. Crude production has reversed itself from a previous state of almost chronic over-production. Leaving out of the discussion the sharp upturn in crude output during the past few weeks which carried 1926 daily average output *up to a level with* 1925 *daily average output for the first time throughout the entire year,* production is about 10 million barrels behind the output in 1925. This concerns domestic production only; imports, in spite of the prolific findings in Venezuela, have fallen off to a correspondingly greater degree. Thus we cannot locate the fault (if any exists) in the production division.

Consumption is not merely satisfactory, but, as gauged by the use of gasoline, comes up to something near phenomenal. The yearly secular increase in gasoline consumption is set down at 10%—this mark has not been uniformly reached in past years but is a rough average of "what to expect." To date this year, the demand for gasoline, the most valuable product of the oil industry, has been nearer 20% than the "expectancy" of a 10% increase notwithstanding a late season. In the export division the increased demand has been still more encouraging for here an increase of almost 45% has been recorded to date. So, the fault is not in the demand for petroleum products.

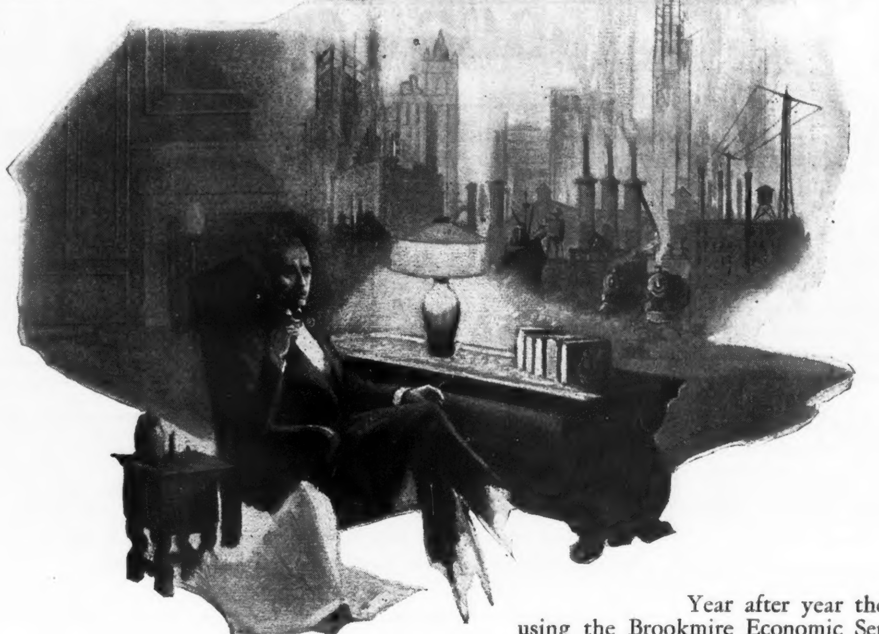
A third factor of importance is the prices of petroleum products. As far as the general price structure is concerned that too is quite satisfactory. Crude is at its high level for the past five years and refined prices provide a suitable margin of operating profit.

Still, this does not account for the fact that the average price of seventeen leading oil stocks is a little more than 12% above the low for the past two years, while the average price of industrial leaders is probably 40-50% above the low for 1925. The real cause for lack of interest in oil shares marketwise is seen in a *consistent series of minor discouragements, which, appearing as they do on the surface, seem to be more significant than the fundamental improvement within the industry.*

As one oil man has put it, conditions within the industry, "are just one thing after another." When the over-production from the years 1923 and 1924 was finally gotten under control, then the improved efficiency and increased plant capacity of the refiners resulted in mounting stocks of refined products that at the end of the past spring were approaching a critical stage. On top of this, the open season for motoring started late and upset calculations for demand. Then refined prices softened and importers began to hesitate in covering nearby requirements. Mounting stocks compelled some refiners to slow down on crude runs to the stills and surface supplies of crude in some sections, notably in Pennsylvania pipe lines, became cumbersome and prices were cut in crude at this location. The next thing to worry the industry was a series of price wars, so-called, which broke out between independent dealers and the larger companies in the East. At the same time, two American automobile manufacturers have introduced the high compression type of motor so popular in Europe and appear to be meeting with spectacular success. The fuel saving feature of this motor, while a great sales argument for the automobile dealer is a matter for serious thought to the gasoline producers. More recently than all of the foregoing is the increase in output resulting from a drilling boom in the Southwest. This does not appear to be serious. Yet, they say in Texas that "a man who predicts the weather is a stranger, but the man who predicts future crude oil output is just a damn fool." Like all of the factors enumerated above, this potential menace stands in the way of further activity in the oil shares.

As a matter of fact all of the many minor adverse developments are not sufficiently important in the aggregate to rob the oil business of a period of good earnings to which it seems justly entitled after the unsatisfactory years since 1921. However, they are all surface factors which have been widely heralded. Individually they would probably not have much effect. Collectively they are "what is wrong with the oil shares." Investors as well as speculators hesitate to commit themselves too extensively on whatever faith they may have in the future of the oil industry as long as these clouds hang over the horizon.

*I*N WHAT WILL HE INVEST ?



. . . . and will he choose wisely? *Can he?*

All day long he devotes his energies to the business of making money. At night, mentally fagged from the day's work, he gives what time he can to the extremely important business of how to invest the money he has made. Railroad securities, public utilities, mining, oil and manufacturing shares, or mortgage bonds—any number of investment possibilities—pass before his consideration. What would be the best selection . . . the safest . . . the most profitable ?

His business experience has given him only a general knowledge of investment conditions. Possibly his decision will be sound, but will it be the most advantageous? He realizes that he has neither the time nor the facilities to derive the maximum of profit from his investments. Few men engaged in business do. *But we have.*

Investing money properly is just as much a business as is *your* business. The best results can be secured only through knowing it thoroughly. This takes time. The Brookmire organization has devoted 22 years exclusively to its study and practice. So, Brookmire's fits logically into this man's investment needs. Thousands like him have found that Brookmire's makes money for them—year after year. It is the proved solution to their problems. It is the same for *you.*

Booklets showing how this Investment Service can be used by any individual to increase his income from securities are now available. These and current bulletins giving specific advice on what to do now will be sent free. There is no obligation and the coupon to the right will bring them by return mail.

Year after year the number of clients using the Brookmire Economic Service has increased. Why ? Because the incomes of these clients have also been increased. So, they have continued to follow Brookmire's advice. They have told others of it. The profits they have made were possible because the advice given was both expert and *unbiased.* This is why not only individual investors but financial institutions, industrial concerns, colleges and universities, all find this service a source of safety and substantial profit.

Disclosed by Independent Audits

Independent audits have disclosed a remarkable fact. Brookmire's advice sufficiently accurate to enable clients to secure 26% profit for 9 *consecutive years!*

Just as certain engineering improvements now enable miners to increase the percentage of the coal they take from the ground, so does the Brookmire Economic Service enable investors to derive from their investments a higher percentage of profit than they ever believed before was safely possible. The coal was there all the time, but engineers were needed *to get the best results.* Just so, profits in securities are *always* there, and with investment "engineers" *you* can get them.

For 22 years we have grown because our clients have prospered. The Service we render today is far more comprehensive than ever before. You have now an opportunity to participate in the prosperity that others with problems like your own know to be a fact. The coupon below will bring you complete information. It will open the door to a larger income through the means of more profitable investments.

Return *this* coupon

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SERVICE SECTION

ANSWERS TO INQUIRIES

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The Inquiry Department enables you to adapt THE MAGAZINE OF WALL STREET to your personal problems. As a yearly subscriber, you are entitled to receive FREE OF CHARGE a reasonable number of PERSONAL REPLIES BY MAIL OR WIRE on any security in which you may be interested. Inquiries cannot be received or answered by telephone nor can personal interviews be granted by this department. The inquiries presented in each issue are only a few of the thousands received and replied to in the first four months this year. The use of this personal inquiry service in conjunction with the Magazine should help you to get hundreds or thousands of dollars of value from your $7.50 subscription.

Are You Sure of Your Broker?

We invite correspondence from readers desirous of ascertaining the status of brokers with whom they intend to do business. We make no charge for this service, as we recognize the importance of having our readers deal through reliable firms.

Subscribers wishing to avail themselves of the privilege of the Inquiry Department should be guided by the following:

1. *Be brief.*
2. *Confine requests for an opinion to three securities.*
3. *Write name and address plainly.*

CENTRAL LEATHER

Can you tell me if Central Leather showed any improvement in earnings in the second quarter? I know that the company did not do any too well in the first few months but I have held on to my stock thinking that any change would be an improvement. Is the outlook promising?—Miss M. M., Chicago, Ill.

As the result of operations in the quarter ended June 30, 1926, Central Leather reported net loss of $716,504 after expenses, interest charges, inventory write-offs, etc. This compares with a net profit of $124,400, or 37 cents a share on the preferred in the preceding quarter, and $1.26 a share on the preferred in the corresponding period of 1925. Summarizing, we find that the net loss for the first six months of 1926 amounted to $592,103, against a net profit of $1,000,192, or the equivalent of $3 a share on the preferred in the first half of the previous year. The outlook is cloudy. Since the latter part of June there has been a slight stiffening in hide and leather prices, and the outlook is for some further progress along these lines, but we believe a much greater improvement than is in prospect is needed to render Central Leather shares attractive. Unless you are willing to hold over a period of time, say a number of years, we believe you would do well to employ your funds elsewhere. A transfer to Reid Ice Cream is suggested.

PHILLIPS PETROLEUM

Some time ago I wrote to you regarding Phillips Petroleum and you advised me to hold on to my stock, saying that earnings in the first quarter had registered a considerable advance. Are you still of the same opinion, and has the improvement continued up to date? The stock does not seem to advance very rapidly.—M. O. S., New Orleans, La.

Phillips Petroleum scored another heavy advance in earnings in the second quarter of 1926. Consolidated profit, after charges and tax reserve but before depreciation and depletion, amounted to $8,079,752, against $6,121,264 in the preceding quarter. Carrying comparisons still further, we find that Phillips earned over 14.2 millions before depreciation and depletion in the first half year, against 10.45 millions in the first six months of 1925. All things considered, the existing situation is favorable. June earnings were the best in the company's history. Crude oil production is estimated to be running at the rate of approximately 48,000 barrels a day, the largest the company ever had, and 86% larger than the average daily production in 1925. Gasoline production is about 475,000 gallons daily, 44% larger than the 1925 average. In view of these constructive factors, as well as the fundamentally satisfactory oil outlook, it would appear that at current price levels Phillips is undervalued. We would advise you to hold your stock.

NATIONAL SUPPLY

I understand that National Supply has done very well from an earnings standpoint in the first half of 1925. On the basis of these reports, it would appear that the stock is rather undervalued at present quotations. Will you give me some information on the financial position of the company?—C. H., Rockville Centre, L. I., N. Y.

As the result of operations in the first six months of 1926, National Supply and subsidiaries reported net income of $1,695,459, equal after deductions and preferred dividends to $5.44 a share on the 265,900 common shares of $50 par value outstanding. This compares with net earnings for the entire 1925 year equal to $5.71 a share on the common. The financial position of the company is remarkably sound, current assets amounting to over 30 millions, while current liabilities total only 3.3 millions, indicating net working capital in excess of 26.7 millions. Cash, call loans, short term investments and notes receivable amount to almost 8 millions. The company has no bank loans outstanding nor is there anything ahead of the common beyond 7 millions of preferred stock of $100 par. In view of widespread interest in new fields both in this country and abroad, and comprehensive drilling campaigns being planned by large oil companies, National Supply should do equally as well in the final half of 1926 as in the first. On the basis of the company's record to date and its visible prospects for the future the stock appears considerably undervalued.

MONTGOMERY WARD

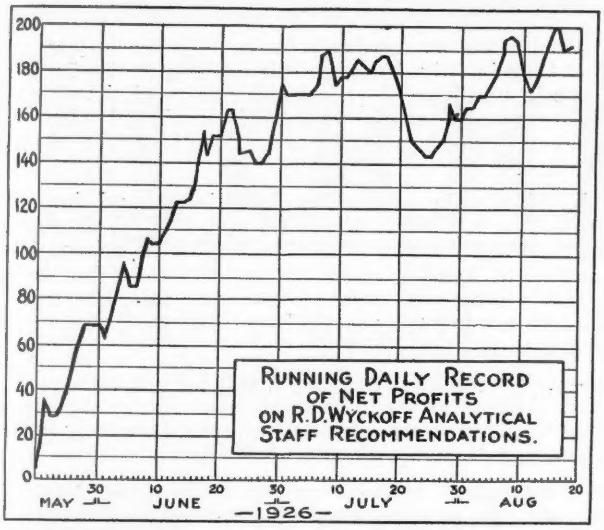
I understand Montgomery Ward has embarked upon a new merchandising program which promises to be productive of beneficial returns. I am not in full knowledge of the circumstances and wish you would enlighten me. Aside from this, I notice the company is doing very well

(Please turn to page 884)

When Quick Service Is Required, Send Us a Prepaid Telegram and Instruct Us to Reply Collect

Have You Made 153 Points Profit in the Past 90 Days?

Associate Members of the R. D. Wyckoff Staff Service have. The graph below shows the daily action of the group of stocks they have been trading in on our definite recommendations.



Over 75% of these Profits represent actual closed trades — money in the bank.

The remaining 25% are still open trades with profits still mounting.

REMEMBER:

This record is not exceptional for our members, nor does it represent only a few of the most profitable recommendations. It is the net result for the period mentioned, after deducting all losses from profits.

Our members did not carry a top heavy list, their trading was limited by us to a definite, number of issues.

Fast telegrams or telephone messages gave them definite instructions just what stocks to buy followed by equally definite instructions when we felt the time had arrived to sell.

The initiative always comes from us.

If your own operations have not proven equally as profitable, you surely owe it to yourself to at least find out just how we can aid you. It costs you nothing to learn the details. You see how profitable it has proven to those who have.

COUPON

The Richard D. Wyckoff Analytical Staff,
42 Broadway, New York, N. Y.

Gentlemen:

I am holding securities for { **Investment** ☐ / **Speculation** ☐ }

I am using approximately $............ for market purposes.

Name ....

Address ....

Aug. 28 **City and State** ....

TRADE TENDENCIES

Industry and Trade Active

Volume of Business at Close of Summer Augurs Continued Activity—Prices Firm

STEEL

Substantial Business

INDICATIONS at the outset of the month pointing to a renewal of the record activity in July have been realized; and August will either surpass or come close to equaling that period with respect to steel output and new business. Steel ingot production for the twelve months ended July 31 was unprecedented; and it is quite likely that the high rate will be maintained into early autumn.

There is one source of buying power which has not been tapped extensively so far—the railroads. Carriers usually furnish about one-third of the steel buying in the country. Up to the present time, however, except for bridging purposes, they are somewhat behind their quota. It stands to reason, therefore, that sooner or later the roads must come into the market to replenish their requirements. This factor should enable the steel industry to overcome at least in part a potential depression in other consuming lines which may occur

(*Please turn to page* 907)

COMMODITIES*

(See Footnote for Grades and Unit of Measure)

	1926 High	1926 Low	*Last
Steel (1)	$35.00	$35.00	$35.00
Pig Iron (2)	20.00	17.50	17.50
Copper (3)	0.14⅜	0.13¾	0.14⅜
Petroleum (4)	2.29	1.78	2.29
Coal (5)	2.17	1.75	1.75
Cotton (6)	0.21	0.18	0.18
Wheat (7)	2.10	1.45	1.45
Corn (8)	0.84¼	0.69	0.79
Hogs (9)	0.14⅝	0.11⅝	0.12¾
Steers (10)	0.11	0.09	0.10
Coffee (11)	0.20⅛	0.17⅝	0.19⅜
Rubber (12)	0.98	0.39	0.39
Wool (13)	0.54	0.43	0.45
Tobacco (14)	0.19	0.19	0.19
Sugar (15)	0.04¼	0.04	0.04¼
Sugar (16)	0.05¾	0.05⅛	0.05¾
Paper (17)	0.03¾	0.03½	0.03½

*August 14.

(1) Open hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Mid-Continent, 36°, $ per bbl.; (5) Pittsburgh, mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, New York, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Light, Chicago, c. per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, c. per lb.; (15) Raw Cubas, 96° Full, Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

THE TREND IN MAJOR INDUSTRIES

STEEL—Production is expected to be slightly larger for August than in July, although it is unlikely that a further increase in unfilled orders, over the unusual showing of the latter month, will be reported. Predicted advances in September sheet prices have resulted in active buying in this line.

PETROLEUM—Crude production is gaining and imports continue fairly heavy. Kerosene and fuel oil display a rising tendency, in view of low stocks and the approach of the period of heavier consumption. On the other hand gasoline is somewhat weaker, although this may be no more than a temporary condition resulting from burdensome stocks at some centers.

METALS—Copper prices are being firmly held in spite of the season. Indeed strength characterizes the entire metal market with the exception of silver which recently broke to a new low on heavy offerings in India and China.

SUGAR—Raw sugars, both Cuban and Porto Rican, have recently enjoyed an active and steady market. Continued warm weather has sustained the upward trend of prices and facilitated heavy distributions. The combination of relatively low sugar and abundant cheap fruit is expected to result in unusually heavy consumption by the preservers.

COFFEE—Coffee stocks are admittedly low and more active buying in the near future is believed inevitable. Although the coming crops are estimated to be larger than the last, consumption is likewise on the increase and the statistical position favorable.

FERTILZER—Efforts to convince Chilean interests of the advisability of revising nitrate prices for the 1926-27 season have been unavailing, even in the face of the sharp increase in production and consumption of synthetic nitrates and sulphate of ammonia.

TIRES—Sustained consumption aided by the lower prices and an increased interest in mechanical rubber goods has increased manufacturing operations to the high point of the year. With inventories substantially bettered and crude rubber prices down the prospects for the industry seem improved for the second half of the year.

BUILDING—Although still of considerable volume, the building industry is beginning to develop irregularities. This is particularly true in those cities where the boom has been most active. Costs are reported again close to peak levels, while shortages being reported less frequently.

SUMMARY—If August activity can be taken as any criterion of early Fall business, a satisfactory volume is forecast. Prices are generally steady, the crop outlook is favorable and while profit margins seem universally small, sales of large proportions offer compensation.

Debt Cancellation Viewed As An Act of Self-Interest

Economic Authority of Congress Fears Gold Flood

Editor's Note: Our readers will recall the interesting discussions on debt cancellation in the August 14 issue, wherein a number of leading thinkers of the nation argued for and against on both moral and economic grounds. A new view of the problem is presented below by Mr. Sydney Anderson, which we are glad to have the opportunity of publishing. Mr. Anderson is president of the Millers National Federation and has served as president of the Institute of Transportation. When a member of Congress, Mr. Anderson was looked upon as an economic authority by that body, especially through his findings as chairman of the Joint Congressional Commission of Agricultural Inquiry.

"SO far as the sentimental effect of cancellation goes," says Mr. Anderson, "we would have gained nothing either practically or in international good will by cancelling the debts immediately after the war, and we would gain nothing in those respects by cancellation now. Our world-wide unpopularity has its roots deeper than the debts; it goes down to the basic human dislike of the prosperous by the unprosperous.

"Putting aside emotion, however, it is my personal opinion that it will be physically impossible for the debts to be paid, regardless of the capacity of the debtors to pay, because of the difficulties of making transfer of payments. Our debtors can not conceivably find gold with which to make direct payments of so large a sum. And if they could, the effects of such a flow of gold into our vaults would be disastrous to us. It is my opinion that our high commodity prices are largely attributable to the inflation caused by our present enormous gold accumulations, and that the prospect of further accretions from the debt settlements tends to maintain a high price level, which handicaps our competition in foreign trade.

"Debts between governments are not of the nature of business debts, because governments are not business concerns, having debtor and creditor material transactions with each other. Governments, outside of actual gold transferences, can settle balances only by recourse to private trade settlements. In other words, settlements between governments across international lines superimpose an abnormal burden upon the ordinary exchange relations of their nationals. The dollar bill will be continually bid up by governmental competition in the exchange market in the effort to acquire business credits in the U. S. that can be converted into gold or its equivalent for presentation to our treasury. Moreover, those credits will not be available at any price unless the debtor nation's trade relations with us, either directly or triangularly are such that its traders have balances here in their favor.

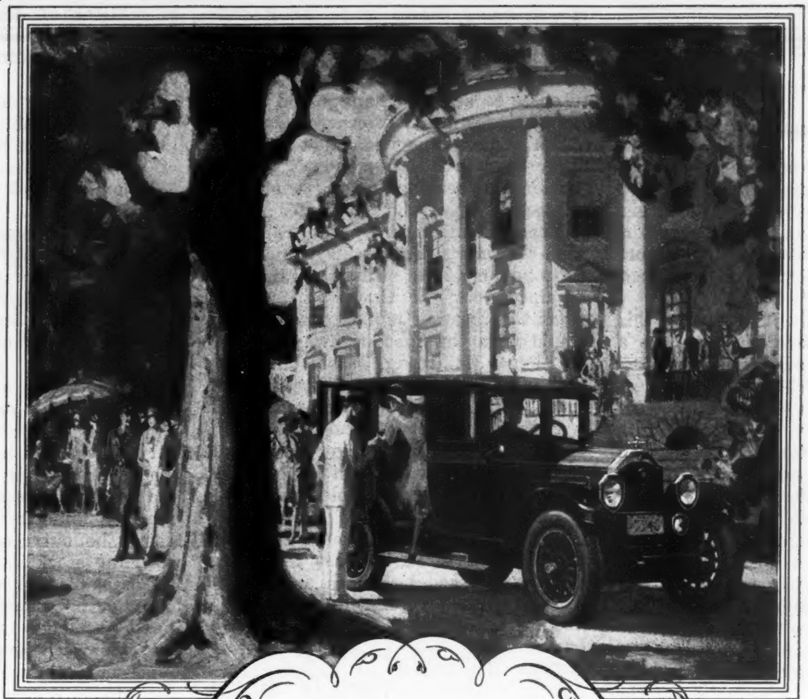
"That is equivalent to saying that the debts must be paid in goods or services. I am not sure that we could not accept without injury a considerable degree of such payment, but I do not agree with those who maintain that our high tariffs make substantial settlement impossible. Still, the prospect of an influx of billions of dollars of foreign goods over and above present importations is not a reassuring one to our producers. Neither is the hothouse industrial activity in Europe that must ensue if their manufacturers seek to enlarge their sales in countries that normally have a favorable trade balance with the U. S. This triangular trade would contribute to the mechanics of settlement of the debts but would have much the same effect upon us in the long run as direct importations to excess, because expansion of Europe's trade in competitive markets would tend to restrict our sales in those markets.

"It therefore appears that the existence of these international governmental debts is directly opposed to our own interests.

"On the other hand, there is no doubt that they are in fact and psychologically a pall over Europe. The impoverishment of Europe is contrary to our selfish interests. The world is an economic whole, and in the long run we must suffer with Europe in some degree. I infer that the directly depressing effects of the debts on Europe is indirectly depressing of our interests; and my general conclusion is that viewed purely as a proposition in applied economics it would be for our best interests and those of Europe and the world to cancel the debts of the Allies to us.

"As to the moral effect on international relationships of the cancellation of the debts I am somewhat dubious but not of a settled conviction. It may be that it would conduce to national financial irresponsibility in relations between governments if, with the precedent of wholesale cancellation of these debts, every nation would hereafter feel that international borrowings could be lightly repudiated.

"But if we are confronted by an impossible problem of payment, as seems to be the fact, the only sensible thing to do is to cancel the debts regardless of the example that may be set. Possibly we can liquidate them in the common interest of the world by making their cancellation a condition of, or a means, to general rehabilitation and stabilization."



OUR CAPITALISTIC UNIONS

(Continued from page 835)

contest is not only one of money but one of wits. The use of wits may or may not imply cunning. In its larger sense wits signifies an ability to understand changing conditions and apply new principles of business to meet them.

Two illustrations will exemplify this point. Sixty and seventy years ago a number of men of aristocratic pretensions lost control of banks the charters of which had been obtained by their fathers by bribery. Retiring with shattered personal fortunes, these men had to yield place and power to men of more modern ideas. Those caste-ridden bankers could not and would not perceive that one man's deposit was as good and useful as another's. Looking down socially upon tradesmen and workingmen, they allowed silly prejudices to influence their business atmosphere. They antagonized a large and growing element which newer men in the banking field, adaptable to the spirit of the times, took care to cultivate.

At present we are witnessing a situation which, if not quite the same, carries a parallel lesson. The spirit of our times is one of democratic social aspiration. The man and woman working for a living regard themselves as much entitled to attainable comforts and recreations as the rich. Mass ownership of automobiles and other instrumentalities unmistakably evidence this tendency, and some of the greatest fortunes which have recently been amassed have come from ministering to this social want. While a number of old-established banking houses in Wall Street have been adhering to conservative ideas and methods several young banking houses have made a noteworthy success in floating bond issues for chain store and other concerns whose business is in line with the popular currents. There are strong reasons for believing that the triumph of these young bankers has aroused what suspiciously looks like the jealousy and resentment of old banking establishments.

The economic contest in other respects impairs or depletes great fortunes. Inability to appraise the importance of inventions or discern new conditions often has a destructive effect. A century or so ago capitalists were certain that investments in canals were permanent sources of wealth. The advent of the railroad either greatly depreciated the value of their stock or made it worthless. Thirty years ago street railways as an investment seemed invincible and we heard much of the Yerkes, Widener, Flower and other great fortunes based upon street railway ownership. Subway systems in some cities brought in a formidable competitor, and in recent years the general introduction of bus systems has in many places made street railways archaic, unpopular and often unprofitable. Thomas F. Ryan was one of the few capitalists having the astuteness to see the changes and transfer his investments to other lines.

The same analogy may not precisely apply to railroads but it does have a considerable bearing. The first intruder to trench upon the passenger traffic monopoly long held by the railroads was the interurban trolley line. No railroad magnate thirty years ago dreamed that the time was at hand when the dusty or muddy country road would be a thronged highway of competition. Enlarging automobile ownership brought the providing of good roads. The auto truck came to divert a certain amount of freight hauling, the bus to attract passenger traffic, and the popular ownership of automobiles to afford millions of people an individual means of traveling. Recognizing the seriousness of bus competition, railroad executives in the last few years have established bus lines as railroad auxiliaries. Street railway systems are discontinuing cars and operating bus service.

True, the Bureau of Railway Economics reports that railroad earnings in the first half of 1926 showed a greater degree of prosperity than for any similar period. But figures are not comprehensive of all factors. Plethoric earnings reflect general prosperity conditions. The vital question is what loss of revenue railroads have incurred from conditions not existing in former times when they—in the inland sections at least—had exclusive carrying powers.

Great Economic Changes

Similar changes may powerfully but gradually affect the Rockefeller and other great fortunes invested largely in oil production and refining. Noted scientists affirm that economic processes of making synthetic oils are a fact. Sir James Colquhoun Irvine asserts that the Germans are extracting oil from low-grade shale and that by the same method England has made itself independent of foreign oil fields. On the other hand, Henry L. Doherty, oil producer, asserts his belief that there is no effective substitute for petroleum. The great oil interests do not seem to be alarmed. Only time can show whether adequate substitutes can be produced and sold on a large commercial scale. But if, perchance, this should be realized an extraordinary alteration would follow in both philanthropic as well as investment conditions.

The vast sums given by multimillionaires for educational foundations and other such purposes have often been in the form of corporation bonds and stock. Here is another instance in which the mere computation of figures may have no meaning. Forty years ago statisticians were fond of estimating that at the rate Andrew Carnegie's fortune was increasing he unquestionably would leave an estate of hundreds of millions of dollars. But Carnegie gave such large sums in donations that his net estate diminished to $23,247,000.

At the same time, popular diffusion of stock ownership is tending to effect great changes in conceptions and forms of proprietorship.

When Commodore Cornelius Vanderbilt, William H. Vanderbilt, Jay Gould and others dictated railroad policy, they looked upon railroads as more or less their personal property, and by owning or controlling a sufficient majority of all outstanding stock, they did as they pleased, accompanied by damnations of the public.

Today there are, it is estimated, 800,000 persons owning railroad stock. The old exclusive definition of proprietary power has been greatly modified. The statement is made that the Vanderbilt stock interest, for instance, is really a minority interest which could easily be outvoted if all of the outstanding stock in their railroads could be assembled as a unit. Trusts and other corporations of every kind which have promoted the purchase of stock by employees have unknowingly done much more than insure industrial peace by making interests mutual and precluding strikes. They have rooted a widespread feeling of proprietorship which, although now individually slight among most holders, may likely enough have far-reaching results in the future. Interested in the profits made for him, the small investor does not concern himself at present with any recognition of his own industrial responsibility. But after more than a century of corporation existence, directors themselves were slow in learning that lesson, as George W. Perkins complained in 1915 to the U. S. Commission on Industrial Relations. It took a long time for voters to learn political responsibility and the lesson is not yet adequately learned. The growth of a popular sense of industrial responsibility will undoubtedly develop. Perhaps the example of labor unions using their economic power to embark in various financial and corporate enterprises will have a marked educational effect.

The expansion of labor-union ownership of enterprises may eventually involve a new and greater kind of economic contest. There may ensue a conflict for mastery between capitalist industry as at present constituted and labor union industry. In that case the financial power of capitalist industry will be confronted by both financial and economic power possessed by labor union industry. This, however, is in the realm of pure speculation.

Like the course of political power, industrial power is becoming more and more democratic. The fixed axiom was long taught and enforced that only the privileged few had the capacity to hold, and the right to use, political power. Today we see the vesting of political power as an inherent right in the entire population both men and women. There is every indication that the trend of industrial power is slowly but surely moving in the same direction.

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1	yr.	42.50	257.75	1,600
1½	yrs.	52.00	348.00	2,000
2	yrs.	65.00	335.00	2,400
2½	yrs.	76.00	322.00	2,800
3	yrs.	91.00	309.00	3,200
3½	yrs.	104.00	296.00	3,800
4	yrs.	117.00	283.00	4,009
4½	yrs.	130.00	270.00	4,400
5	yrs.	143.00	257.00	4,800
5½	yrs.	156.00	344.00	5,300
6	yrs.	172.25	327.75	5,800
6½	yrs.	188.50	311.50	6,300
7	yrs.	204.75	295.25	6.800
7½	yrs.	221.00	279.00	7.300
8	yrs.	237.50	262.75	7.800
8½	yrs.	253.50	346.50	8,400
9	yrs.	273.00	327.00	9,000
9½	yrs.	292.50	307.50	9,600
10	yrs.	312.00	286.00	10,200
10½	yrs.	331.50	268.50	10,800
11	yrs.	351.00	349.00	11,500
11½	yrs.	373.75	326.25	12,200
12	yrs.	396.50	303.50	12,900
12½	yrs.	419.25	280.75	13,600
13	yrs.	432.00	268.00	14,300
13½	yrs.	464.75	335.25	15,100
14	yrs.	490.75	309.25	15,900
14½	yrs.	516.75	283.25	16,700
15	yrs.	542.75	257.25	17,500
15½	yrs.	568.75	331.25	18,400
16	yrs.	598.00	302.00	19,300
16½	yrs.	627.25	272.75	20,300
17	yrs.	659.75	340.25	21,300
17½	yrs.	692.25	307.75	22,300
18	yrs.	724.75	375.25	23,400
18½	yrs.	760.50	339.50	24,500
19	yrs.	796.25	203.75	25,500
19½	yrs.	828.75	271.25	26,600
20	yrs.	864.50	235.50	27,700

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RAILS

	Pre-War Period 1909-1913 High	Low	War Period 1914-1918 High	Low	Post-War Period 1919-1925 High	Low	1926 High	Low	Last Sale 8/18/26	Div'd $ Per Share
Atchison	125⅝	90¼	111⅛	70	140⅛	91⅜	151¼	122	149¼	7
Do. Pfd.	106⅜	96	102⅝	75	98	72	100	94⅛	100	5
Atlantic Coast Line	148⅛	102⅛	126	79⅞	268	77	262⅛	181½	222½	‡7
Baltimore & Ohio	122¼	90⅝	96	88¼	94½	27⅝	105¼	83½	104¼	5
Do. Pfd.	96	77⅛	80	48⅛	67⅜	38⅛	73½	67⅛	73½	4
Bklyn-Man. Transit	..	..	..	..	64	9¼	69¼	54⅛	64⅝	4
Do. Pfd.	..	..	..	..	83¾	31⅜	86¼	78	†84½	6
Canadian Pacific	283	165	220⅛	126	170⅞	101	166⅞	146⅛	165¼	10
Chesapeake & Ohio	92	51⅛	71	35⅝	130⅛	46	153⅞	112	152⅝	‡8
Do. Pfd.	..	..	..	..	130	96	145	119	†151½	6½
C. M. & St. Paul	165⅛	96⅜	107⅛	35	52⅜	3¼	14½	9	12½	..
Do. Pfd.	181	130⅛	143	62½	76	7	23½	14⅛	22⅛	..
Chi. & Northwestern	198½	123	136⅞	35	105	45⅝	81⅞	65¼	76¾	4
Chicago, R. I. & Pacific	..	..	45⅜	16	58⅞	19⅛	63⅛	40⅛	62⅛	..
Do. 7% Pfd.	..	..	94¾	44	105	64	102	96	102	7
Do. 6% Pfd.	..	..	80	35¾	93¾	54	90	83¼	89¾	6
Delaware & Hudson	200	147½	159⅛	87	160⅜	83¼	174¼	150¼	166¾	9
Delaware, Lack. & W	340	192½	242	160	260½	93	153½	129	143	‡6
Erie	61¼	33½	59½	18¾	39½	7	40	22½	33¼	..
Do. 1st Pfd.	49¾	26¼	54¾	15⅛	49¼	11⅛	47⅞	33¾	44	..
Do. 2nd Pfd.	89⅛	19½	45⅝	13⅛	46¼	7⅛	45½	30	41	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	100⅝	50⅝	78⅝	68½	76	5
Hudson & Manhattan	..	..	..	..	38⅜	20⅝	40	35	38¾	2½
Illinois Central	162⅛	102¾	115	85¾	125½	80⅞	124⅞	113½	123	7
Interboro Rap. Transit	..	..	..	..	39¼	9½	52¼	24½	44⅛	..
Kansas City Southern	50¼	21⅜	35⅛	13⅛	51	13	49⅜	44¼	45	..
Do. Pfd.	75½	56	65½	40	63¼	40	67⅜	60⅝	†66⅝	4
Lehigh Valley	121¼	62½	87⅛	50⅜	88⅛	39⅛	93½	75½	89	3½
Louisville & Nashville	170	121	141⅞	103	155	84¾	143	118	138½	6
Mo., Kansas & Texas	*51⅛	*17½	*24	*3⅛	45⅛	*¾	47⅛	32	36¼	..
Do. Pfd.	*78¼	*46	*60	*6½	92½	*2	95	82	91½	6
Missouri Pacific	*77½	*21⅛	38⅛	19⅞	41¾	8¼	40¼	27	39⅝	..
Do. Pfd.	..	..	64⅞	37½	91½	22¼	93¾	71½	91¼	..
N. Y. Central	147¾	90⅜	114¼	62½	137½	64⅛	140⅜	117	137⅝	7
N. Y., Chi. & St. Louis	109¾	90	90¾	55	183	23¾	185¾	130	179	11
N. Y., N. H. & Hartford	174¾	65⅝	89	21½	47	9⅝	48⅜	30⅝	45⅝	..
N. Y., Ontario & W	55¾	25⅛	35	17	34¾	14¼	28⅞	19¾	25½	..
Norfolk & Western	119¼	84¼	147⅛	92⅝	151⅜	84¼	166¾	139¼	163⅝	‡7
Northern Pacific	159½	101¾	118⅞	75	99⅞	47⅞	77⅞	65¾	77	5
Pennsylvania	75⅝	53	61⅛	40¼	53⅜	32¼	55⅛	48⅝	55	3
Pere Marquette	*36½	*15	38⅛	9⅛	85½	12⅛	104¼	67	103½	‡6
Pittsburgh & W. Va.	..	..	40⅝	17¾	123	21⅛	119⅜	85	109	6
Reading	89⅝	59	115⅛	60⅛	108	51⅞	100	79	95¾	4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	42	40	†40¼	2
Do. 2nd Pfd.	58¾	42	52	33¾	*65	32⅛	44⅞	40	†41¾	2
St. Louis-San Fran.	*74	*13	50⅛	21	102¼	10¾	101¼	85	98⅞	7
St. Louis Southwestern	40⅝	18½	32⅛	11	69¼	10⅞	74	57½	70	..
Seaboard Air Line	27½	13¼	22⅜	7	54¼	2⅛	51	27½	34	..
Do. Pfd.	56½	23½	58	15⅛	51½	3	48⅜	31½	37¾	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	109¾	96⅛	107⅞	6
Southern Railway	34	18	36¾	12½	120½	24¾	122⅞	103⅝	121	7
Do. Pfd.	86⅞	43	85¼	42	95½	42	95½	87½	95⅛	5
Texas & Pacific	40⅛	10¼	29½	6⅛	70½	14	61⅝	42⅛	59⅞	..
Union Pacific	219	137¾	164⅜	101¼	154¾	110	159½	141½	158¾	10
Do. Pfd.	118⅛	79¾	86	69	80	61¼	80⅛	74¾	80⅛	4
Wabash	*27⅞	*2	17½	7	47¼	6	52	33⅞	46¼	..
Do. Pfd. A	*61¾	*6⅛	60½	30⅞	73⅞	17	78¾	68	75⅝	5
Do. Pfd. B	..	..	32⅞	18	60½	12¼	72	57	†60	..
Western Maryland	*56	*40	23	9¼	18⅜	8	16⅝	11	13⅜	..
Do. 2nd Pfd.	*88¼	*53½	*58	20	*30	11	24	16⅜	†21	..
Western Pacific	..	..	25½	11	40	12	39¼	33¼	36⅜	..
Do. Pfd.	..	..	64	35	86½	51½	85½	77½	85	6
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	32	6	32	18	24⅛	..
Do. Pfd.	..	..	50⅝	16⅝	53⅛	9¼	50½	37	44¼	..

INDUSTRIALS

	Pre-War Period 1909-1913 High	Low	War Period 1914-1918 High	Low	Post-War Period 1919-1925 High	Low	1926 High	Low	Last Sale 8/18/26	Div'd $ Per Share
Adams Express	270	90	154½	42	117¼	22	116¾	99⅞	†114	6
Ajax Rubber	..	..	89⅛	45⅛	113	4¼	16	7½	9	..
Allied Chem. & Dye	..	..	..	..	116⅝	34	144½	106	138⅞	4
Do. Pfd.	..	..	..	..	121¼	83	122¼	118¾	121⅜	7
Allis-Chalmers Mfg.	10	7⅝	49⅛	6	97¼	26½	94½	78¼	89¾	6
Do. Pfd.	43	40	92	32½	109	67½	110½	105	†109	7
Am. Agric. Chem.	63⅝	33½	106	47¾	113¾	7⅛	34⅜	15	18¾	..
Do. Pfd.	105	90	103½	89⅛	103	18¾	96½	51	64	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	38¾	21	24¼	..
Am. Bosch Magneto	..	..	..	..	143⅞	38⅛	34⅜	16	21½	..
Am. Can	47⅜	6⅞	68⅛	19¼	*297⅜	*21	63⅛	38⅞	59	2
Do. Pfd.	129¼	98	114⅛	80	121⅞	72	126⅞	121	†125	7
Am. Car & Foundry	76½	36⅛	98	40	*201	97½	114⅞	91½	100⅝	6
Do. Pfd.	124¾	107½	119½	100	128	105¾	129¼	123½	†120	7
Am. Express	300	94¾	140½	77½	17	76	140	105⅞	†125	6
Am. Hide & Leather	10	3	22⅛	2⅛	43⅛	5	17½	7	7⅝	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	29¾	67¼	33⅛	36⅛	..
Am. Ice	..	..	49	8⅞	139	37	136	109	122¾	‡8
Am. International	..	..	62¾	12	132¼	17	46¾	31¾	33¾	..
Am. Linseed Pfd.	47¾	20	92	24	113	4¼	87	75	84	7
Am. Locomotive	74¾	19	98¼	46⅝	144⅞	58	119⅞	90¼	104½	8
Do. Pfd.	122	75	109	93	124	96½	120¼	116	†117	7
Am. Metal	..	..	..	..	57⅝	38¾	57⅜	47	51½	4
Am. Radiator	*500	*200	*445	*235	*345	64	122⅜	101¼	119⅝	4
Am. Safety Razor	..	..	..	..	76¾	*3½	70¾	42	68⅛	3
Am. Ship & Commerce	..	..	..	..	47½	4¾	11⅞	5⅛	7⅞	..
Am. Smelt. & Ref.	105½	56⅝	123¾	50¼	144½	29¼	152	109⅝	148½	7
Do. Pfd.	116¾	98¼	118⅞	97	115¼	63¼	120	112⅞	†119	7
Am. Steel Foundries	74½	24⅛	95	44	50	18	47	40	45½	3
Do. Pfd.	..	..	..	..	113⅛	78	115	111	†112½	7
Am. Sugar Refining	136⅜	99⅞	126½	89⅛	143⅜	36	82¾	65¼	72⅛	5
Do. Pfd.	133½	110	123½	106	119	67½	105	100	†103	7
Am. Sumatra Tobacco	..	..	145¾	15	120½	6	28⅜	14½	†8½	..
Am. Tel. & Tel.	153¾	101	134½	90⅝	145	92⅛	150⅜	139⅝	145½	9

Price Range of Active Stocks

INDUSTRIALS—Continued

	Pre-War Period 1909-1913 High	Pre-War Period 1909-1913 Low	War Period 1914-1918 High	War Period 1914-1918 Low	Post-War Period 1919-1925 High	Post-War Period 1919-1925 Low	1926 High	1926 Low	Last Sale 8/18/26	Div'd $ Per Share
Am. Tobacco	*530	*200	*256	*123	*314½	82½	122¼	111⅜	120	8
Do. Com. B	..	..	..	..	*210	81¼	121¾	110⅛	119½	8
Am. Water Works & Elec.	..	..	..	..	*144	*4	74	43¾	58	1.20
Am. Woolen	40⅝	15	60⅞	12	169½	34¾	42⅞	19	30	..
Do. Pfd.	107¾	74	102	72½	111⅞	69½	89¾	66	77½	7
Anaconda Copper	54⅜	27½	105⅜	24¼	77⅞	28½	51⅞	41½	50⅛	3
Associated Dry Goods	..	..	28	10	*140½	46½	54⅞	37¼	42⅛	2½
Do. 1st Pfd.	..	..	75	50⅛	102	49⅞	102½	96	†96	6
Do. 2nd Pfd.	..	..	49½	35	108	38	108	102	†103½	7
Associated Oil	..	..	*78¾	*52½	*142	24⅞	59½	44¾	†50¼	2.40
Atl. Gulf & W. Indies	13	5	147¾	4½	192⅝	9¼	68⅜	33⅛	39	..
Do. Pfd.	32	10	74¾	9⅞	76½	6¾	56¼	35¼	†42⅜	..
Atlantic Refining	..	..	..	..	*1575	78½	128⅜	97	112	..
Austin Nichols	..	..	..	..	40⅜	8	28	8	11	..
Do. Pfd.	..	..	..	..	95	50⅝	93	65	†65	7
Baldwin Locomotive	60¾	36½	154½	26⅝	156¼	62¼	136½	92⅞	119¼	7
Do. Pfd.	107½	100¼	114	90	118	92	114	105	†110¼	7
Bethlehem Steel	*51⅝	*18¾	155½	59¾	112	37	50¼	37¼	47¾	..
Do. 7% Pfd.	80	47	186	68	108	78	105	99	†103	7
Brooklyn Edison Electric	134	123	131	87	156½	82	153½	133	149	8
Brooklyn Union Gas	164½	118	138¾	78	*128	41	97¼	68	94½	4
Burns Brothers	45	41	161½	50	147	76	144	121	137½	10
Do. B	..	..	..	..	53	17	44	29⅞	†34½	2
Butte & Superior	..	..	105¼	12¼	37⅞	6⅛	16¼	7⅛	10½	2
California Packing	..	..	50	30	136½	48¼	74⅞	69⅜	71⅝	..
California Petroleum	72½	16	42⅝	8	71⅞	15⅜	38⅛	30⅝	32½	2
Central Leather	51¾	16⅛	123	25⅞	116½	9⅝	20½	7⅛	8	..
Do. Pfd.	111	80	117½	94⅞	114	28½	68¾	33¼	52	..
Cerro de Pasco Copper	..	..	55	25	67½	23	73½	57½	71⅛	4
Chile Copper	..	..	39¼	11¼	38⅜	7	36⅝	30	34⅛	2½
Chino Copper	50⅝	6	74	31⅜	50⅞	14¾	24	16	†20	..
Chrysler Corp.	..	..	..	..	*253	*108¼	54⅞	28⅛	36¾	3
Do. Pfd.	..	..	..	..	111⅞	100⅛	108	93	102½	8
Coca Cola	..	..	..	..	177¾	18	164⅞	128	161	7
Colorado Fuel & Iron	53	22½	66⅛	20½	56	20	47¾	27⅜	44¼	..
Columbia Gas & Elec.	..	..	54⅛	14¼	*114⅞	30¼	90	63½	81⅞	5
Congoleum-Nairn	..	..	..	..	*184⅜	15⅞	26¼	12½	23	..
Consolidated Cigar	..	..	..	..	80	11⅜	74⅜	45¼	70⅞	..
Consolidated Gas	*165¼	*114½	*150½	*112½	*145¾	56¾	115⅜	87	108⅝	5
Continental Can	..	..	*127	*37½	*131¾	34⅜	92½	70	80¾	5
Corn Products Refining	26½	7⅜	50½	7	*160½	21½	48⅜	35⅝	45	2
Do. Pfd.	98½	61	113½	58⅛	127	96	129⅛	122½	†125	7
Crucible Steel	19⅝	6½	109⅞	12¼	278½	48	81½	64	74⅞	5
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5⅝	11½	8⅝	9	..
Do. Pfd.	..	..	100½	77¼	87	13⅛	49⅝	35½	37⅞	..
Cuban-American Sugar	*58	33	*273	*38	*605	10⅞	30⅜	21⅝	22½	..
Cuyamel Fruit	..	..	..	..	74½	44	51	42⅛	†46	4
Davison Chemical	..	..	..	..	81¼	20⅜	46¾	27⅛	36¼	..
Dupon de Nemours	..	..	..	..	271¼	105	314½	193⅛	303½	14
Eastman Kodak	*No Sales		*605	*605	*690	70	114½	106⅝	114¼	‡5
Electric Storage Battery	*64¼	*42	*78	*42¼	*153	37	92½	71½	92½	5
Endicott-Johnson	..	..	..	..	150	44	72⅝	65½	66	5
Do. Pfd.	..	..	..	..	119	84	118	114	†117½	7
Famous Players-Lasky	..	..	..	..	123	40	127½	103⅛	115⅞	‡8
Do. Pfd.	..	..	..	..	120	66	124	115	†120	8
Fisk Rubber	..	..	..	..	55	5½	26¼	14¼	18⅜	..
Do. 1st Pfd.	..	..	..	..	116½	38⅛	84¼	76⅞	80	7
Fleischmann Co.	..	..	..	..	*171½	*75	56½	32¼	50⅜	‡2
Foundation Co.	..	..	..	..	183¾	58½	179¾	85	93½	8
Freeport-Texas	..	..	70½	25¾	64⅜	7⅛	34½	19⅝	28⅞	..
General Asphalt	42⅞	15½	39⅜	14¼	160	23	78¾	50	78	..
General Cigar	..	..	..	..	115¼	47	59½	46	50⅛	4
General Electric	188½	129¾	187¼	118	337¼	109½	95½	79	92⅜	3
General Motors	*51¾	*25	*850	*74½	149¾	*8⅛	225¾	113¼	205¾	7
Do. 7% Pfd.	..	..	..	..	115	95⅛	120	113½	119½	7
General Petroleum	..	..	..	..	59⅛	38⅜	70⅛	49½	†64	3
Goodrich (B. F.) Co.	86½	15⅛	80¼	19⅝	93⅜	17	70¾	45½	50¼	4
Do. Pfd.	109¾	73⅜	116¾	79⅞	109½	62½	100	95	†95⅞	7
Goodyear T. & R. Pfd.	..	..	..	..	114⅝	35	109⅞	98½	108½	7
Do. Prior Pfd.	..	..	..	..	109	88	109⅝	105⅜	†107¾	8
Granby Consolidated	78¼	26	120	58	80	12	25¾	16	24⅝	..
Great Northern Ore Ctfs.	88½	25⅛	50⅝	22½	52¾	24⅞	27¼	19	19⅞	1¾
Gulf States Steel	..	..	137	58¾	104⅝	25	93⅜	62	73¾	5
Hayes Wheel	..	..	..	..	52⅞	30	46	30¼	†33½	3¼
Houston Oil	25½	8¼	86	10	116½	40½	72	50¼	†58½	..
Hudson Motor Car	..	..	..	..	139½	19½	123¼	49⅝	67¾	3½
Hupp Motor Car	..	..	11¾	2½	31	4⅝	28⅜	17	27½	1
Inland Steel	..	..	..	..	50	31⅛	43½	34½	42¼	2½
Inspiration Copper	21⅝	13⅞	74¾	14¼	68⅞	22⅛	26⅞	20¾	25⅛	2
Inter. Business Mach.	..	..	52⅝	24	176¼	28¾	50½	38⅛	48⅜	3
Inter. Combustion Eng.	..	..	..	..	69½	1[illegible]	64½	33½	55⅜	2
Inter. Harvester	..	..	121	104	149⅝	66¾	135⅝	112¼	133½	6
Inter. Merctl. Marine	9	2⅛	50⅝	⅝	67¾	4⅞	12⅜	6⅛	†6⅝	..
Do. Pfd.	27⅝	12½	125⅝	8	128½	18½	46⅜	27	29¼	..
Inter. Nickel	*227½	*135	57½	24½	48½	24¼	46¼	32⅜	37⅝	2
Inter. Paper	19¾	6½	75½	9½	91¾	27⅞	63⅜	44½	57½	2
Kelly-Springfield Tire	..	..	85¼	36⅞	164	9¾	21½	12¼	13¼	..
Do. 8% Pfd.	..	..	101	72	110	33	74¾	61	†51	..
Kennecott Copper	..	..	64¼	25	59¼	14¾	58⅞	49¾	57	4
Kinney (G. R.) Co.	..	..	..	..	103	35½	82½	61	†56½	4
Lima Locomotive	..	..	..	..	74⅞	52	69¾	53½	†61¼	4
Loew's, Inc.	..	..	..	..	44¾	10	43⅛	34¼	41½	2
Loft, Inc.	..	..	..	..	28	5½	11¼	7	7¼	..
Lorillard (P.) Co.	*215½	*150	*239⅞	*144½	*245	30¼	42¼	30¼	33	3
Mack Trucks	..	..	..	..	242	25½	159	103½	134	6
Magma Copper	..	..	..	..	46	26⅛	44⅞	34	40⅛	3
Mallinson & Co.	..	..	..	..	45	8	28⅛	15⅝	16	..
Maracaibo Oil Explor.	..	..	..	..	37½	16	28⅞	20¾	†22½	..
Marland Oil	..	..	..	..	60½	12⅛	63⅜	49¼	57⅞	4

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New York Stock Exchange
Price Range of Active Stocks

INDUSTRIALS—Continued

	Pre-War Period 1909-1913		War Period 1914-1918		Post-War Period 1919-1925		1926		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	High	Low	8/18/26	Share
May Department Stores	*88	*65	*97½	*35	*174¾	*60	137½	106⅞	123¼	5
Mexican Seaboard Oil	..	..	..	..	34½	5¾	13¾	6	11⅛	..
Montgomery Ward	..	..	..	..	82½	12	82	56	69⅞	..
National Biscuit	*161	*96½	*139	*79⅞	*270	35⅝	98½	74	92½	‡4
National Dairy Prod.	..	..	..	..	81⅞	30⅛	80	53	71	3
National Enam. & Stamp	30¼	9	54½	9	89½	18½	40½	21⅛	25	..
National Lead	91	42½	74⅝	44	174¾	63½	174¾	138	†160½	3
N. Y. Air Brake	98	45	136	55⅞	*145¾	26⅝	44¾	36½	43½	2
N. Y. Dock	40¼	8	27	9¼	70¾	15¼	45⅞	32½	†33	..
North American	*87⅞	*60	*81	*38⅞	*119½	17½	67	42	55	§10%
Do. Pfd.	..	..	..	..	50⅛	31⅞	51½	49	50¾	3
Pacific Oil	..	..	..	..	78½	27½	83⅛	1	†1½	..
Packard Motor Car	..	..	..	..	48½	9⅞	45¼	31¾	37⅜	‡2.40
Pan.-Am. Pet. & Trans.	..	..	70¾	35	140¼	38⅛	76½	56⅛	†66	6
Do. Class B	..	..	..	..	111¾	34⅛	78⅜	56⅞	67⅛	6
Philadelphia Co.	59¼	37	48⅞	21⅛	68¾	26½	76⅝	59⅛	†70	4
Phila. & Reading C. & I.	..	..	..	..	54¼	34½	48⅜	36¼	39	..
Phillips Petroleum	..	..	..	..	69⅝	16	49½	40	47½	3
Pierce-Arrow	..	..	65	25	99	6⅛	43⅛	19	32	..
Do. Pfd.	..	..	109	88	111	13½	126	76½	126	8
Pittsburgh Coal	*29⅞	*10	58¾	37½	74⅝	37¼	42½	29	†31	..
Postum Cereal	..	..	..	..	*134	*47	124⅞	75½	104⅜	5
Pressed Steel Car	56	18½	88¼	17¼	113¾	39	42½	34⅛	41⅜	..
Do. Pfd.	112	88½	109⅛	69	106	67	87½	83	†84	7
Pub. Serv. N. J.	..	..	..	..	87⅞	29	93⅞	72	91¼	5
Pullman Company	200	149	177	106½	173½	87¼	184	145¼	180	8
Punta Alegre Sugar	..	..	51	29	120	24¾	47	33	†35¼	..
Pure Oil	..	..	143⅞	81⅞	61⅞	16¼	31	25⅝	26¾	‡1½
Radio Corp. of Am.	..	..	..	..	77⅞	25⅞	48⅜	32	45¼	..
Ray Consol. Copper	27½	7½	37	15	27½	9⅞	15⅜	10½	14¾	¼
Replogle Steel	..	..	..	..	93⅛	7¼	15⅞	8⅞	10	..
Republic Iron & Steel	49½	15¾	96	18	145	40⅛	63⅝	44	59	4
Do. Pfd.	111¼	64½	112⅝	72	106¾	74	98½	91¼	†98	7
Royal Dutch N. Y.	..	..	86	56	123⅜	40⅜	57⅜	49¼	51	3.26
Savage Arms	..	..	119¾	39⅞	108⅜	8⅞	102½	73	†77½	4
Schulte Retail Stores	..	..	..	..	134⅞	88	138½	42½	49	§8
Sears, Roebuck & Co.	124¾	101	233	120	243	54¼	57⅞	44¼	56½	2½
Shell Trans. & Trading	..	..	..	..	90¼	29½	48⅝	40½	42½	2.17
Shell Union Oil	..	..	..	..	28⅜	12⅛	28⅞	24	28½	1.40
Simmons Company	..	..	..	..	54⅝	22	54½	32½	33⅜	2
Simms Petroleum	..	..	..	..	28½	6½	28⅝	15⅛	16⅞	1
Sinclair Consol. Oil	..	..	67⅛	25¼	64⅛	15	24⅞	19⅜	21½	..
Skelly Oil	..	..	..	..	35	8⅝	37⅛	26⅝	35½	2
Sloss-Sh. Steel & Iron	94⅝	23	93¼	19½	143½	32⅛	142½	103	134	6
Standard Oil of Calif.	..	..	..	..	*135	47½	62⅞	52⅝	60¾	2
Standard Oil N. J.	*448	*322	*800	*355	*212	30⅞	46⅜	40¼	43¼	1
Do. Pfd.	..	..	..	..	119⅛	100⅛	119⅛	116	116¾	7
Stewart-Warner Speed.	..	..	*100½	*43	*181	21	92⅞	68⅜	75⅜	6
Stromberg Carburetor	..	..	45¼	21	118¼	22⅛	77¼	59⅞	†61	6
Studebaker Company	49½	15¾	195	20	*151	30½	61⅜	47	54¾	5
Do. Pfd.	98⅛	64½	119½	70	125	76	122½	114½	†118	7
Tennessee Cop. & Chem.	..	..	21	11	17¼	6¼	16	10⅞	11¾	1
Texas Co.	144	74½	243	112	57¾	29	56	48	54⅛	3
Texas Gulf Sulphur	..	..	..	..	121⅞	32⅝	173	119½	167	10
Tex. & Pac. Coal & Oil	..	..	..	..	*275	30¼	19½	12⅛	14⅝	..
Tide Water Oil	..	..	225	165	195	5⅛	39¼	30	†29½	1½
Timken Roller Bearing	..	..	..	..	59⅜	28½	62¼	44⅞	61½	4
Tobacco Products	145	100	82⅝	25	115	45	111½	95¼	111	7
Do. Class A	..	..	..	..	110⅜	76½	115	103	115	7
Transcontinental Oil	..	..	..	..	62⅝	1¼	5½	3	4⅞	..
Union Oil of Calif.	..	..	..	..	43⅜	33	58	37¼	†52½	2
United Cigar Stores	..	..	*127⅞	*8⅜	*255	42½	109¾	83⅛	105⅞	§2
United Drug	..	..	90⅞	64	175⅛	46¼	167	134	161½	8
Do. 1st Pfd.	..	..	54	46	58⅛	36⅝	59	55⅛	†57¼	3½
United Fruit	208½	126½	175	105	246	95¾	116½	98	†115½	4
U. S. Cast I. Pipe & F.	32	9¼	31⅞	7¾	250	10½	248½	150	231	10
Do. Pfd.	84	40	67½	30	113	38	109	100¼	†105	7
U. S. Indus. Alcohol	57¼	24	171½	15	167	35¼	79¾	45⅜	78¼	..
U. S. Realty & Imp.	87	49¾	63¾	8	*184½	17¼	71⅞	48⅛	62	4
U. S. Rubber	59½	27	80½	44	143¾	22½	88¼	50¼	59⅞	..
Do. 1st Pfd.	123½	98	115½	91	119½	66½	109	101½	†106¾	8
U. S. Smelt., Ref. & Min.	59	30⅜	81½	20	78¼	18⅜	49⅞	36⅝	39¾	3½
U. S. Steel	94⅞	41¼	136⅝	38	139¼	70¼	159⅝	117	154¾	7
Do. Pfd.	131	102½	123	102	126⅝	104	130⅛	124½	128¼	7
Utah Copper	67⅛	38	130	48½	111	41⅛	105	93	104½	5
Vanadium Corp.	..	..	..	..	97	19⅛	43	29	41	3
Western Union	86¼	56	105½	53⅜	144⅞	76	147⅝	134½	†145	8
Westinghouse Air Brake	141	132½	143	95	144	76	137½	105¼	134½	‡6
Westinghouse E. & M.	45	24¾	74⅞	32	84	38⅞	79½	65	68⅞	4
White Eagle Oil	..	..	..	..	34	20	29¾	25⅛	26	2
White Motors	..	..	60	30	104½	29¼	90	51⅛	62	4
Willys-Overland	*75	*50	*325	15	40¼	4½	34	18	28	..
Do. Pfd.	..	..	100	69	123⅞	23	99	91⅛	94¾	7
Wilson & Co.	..	..	84¼	42	104⅞	4⅛	12¼	6	10¾	..
Woolworth (F. W.) Co.	*177⅞	*76½	*151	*81½	*345	72½	222	135¼	164⅛	‡4
Worthington Pump	..	..	69	23½	117	19⅞	44¾	20¼	26	..
Do. Pfd. A	..	..	100	85⅞	98½	65	80	66	†64¾	7
Do. Pfd. B	..	..	78⅜	50	81	53½	66	53	†48	6
Youngstown Sh. & Tube	..	..	..	..	92½	59¾	95¼	69	92⅜	4

* Old stock. † Bid price given where no sales made. ‡ Not including extras. § Payable in stock. a Paid this year.

Securities Analyzed, Rated and Mentioned in This Issue

INDUSTRIALS

PUBLIC UTILITIES

BONDS

PETROLEUM

MINING

RAILROADS

ANSWERS TO INQUIRIES

(Continued from page 872)

from an earnings standpoint and wonder if this points to early action in regard to dividend payments. I would appreciate your opinion.—H. S., Boston, Mass.

The new merchandising plan of Montgomery Ward is as yet on a trial basis, but if the idea proves sound it is likely to add substantially to sales volume in the next few years. On August 14, a merchandising display room was opened at Marysville, Kansas, and four additional branches in stragetic locations are scheduled for opening in the near future. The theory of the plan is the bringing of mail order goods to the customer, presenting the merchandise in a manner impossible through catalogues alone. In effect, it carries competition right to the door of the local merchant. As an example, automobile tires will be available for immediate delivery at all the stores all the year round. The stock of each store will be planned after a survey of the needs of the community it serves. It is reasonable to believe that the inauguration of this plan will give impetus to sales volume. Customers, especially in rural communities, often are reluctant to purchase goods urgently required simply because they are not sure of quality. Under the new plan they may inspect the merchandise before they place their order. Aside from the foregoing, Montgomery Ward is doing well, earnings being estimated to be running at the annual rate of $10 a share on the common. In the light of recent income statements it would appear that action in regard to a payment of some sort on the common does not lie far ahead. We believe the stock should be retained.

FAMOUS PLAYERS

Has the situation in regard to Famous Players undergone any radical change in the recent past? You have spoken favorably of this stock from time to time, which is probably the main reason why I have retained my rather large holdings. However, I have not noticed anything in your columns lately and am wondering if anything has turned up to influence you to revise your opinion.—K. A. G., Toledo, O.

Our opinion in regard to Famous Players has undergone no change. We consider this stock a rather attractive business man's spec-vestment. In 1925, the company earned $13.67 a share on 370,114 common shares outstanding. These earnings applied to the average number of shares outstanding in 1925 would be equivalent to $18.39. Famous has earned an average of $15 a share over a five year period. For the past six or seven years Famous has been engaged in buying, building and leasing important theatres in strategic locations all over the country. The policy at the beginning was to finance this expansion program entirely out of earnings, with the result that the equity behind the shares has steadily increased. The combination of this company with Balaban & Katz makes it the greatest owner and operator of the-

atres in the world. Balaban & Katz is recognized as having developed the art of theatre management to the point where they rank with the leaders in the industry. Famous Players now constitutes a well rounded unit in the industry and should give an excellent account of itself in the future. The increased number of shares outstanding tends to retard the market movements of the stock, but when the digestive process has been completed it should move into higher ground.

ASSOCIATED DRY-GOODS

What is your interpretation of the Associated Dry-Goods situation? The stock has been a favorite of mine, probably due to the fact that I was fortunate enough to purchase it some years ago at a very low figure. I have a very handsome paper profit but am in no hurry to take it. What would you advise?—E. R. N., Sacramento, Calif.

Associated Dry-Goods, at current price levels, yields a low return, but from a survey of the fundamentals underlying it would appear that this stock holds forth considerable promise to one willing to employ a measure of patience. Associated Dry-Goods is a holding organization with a 100% stock ownership in seven large dry goods stores in six important centers, and an 85% interest in Lord & Taylor, New York. Profits of the wholly owned stores have shown a steady tendency toward expansion in every year since 1920. Complete data covering Lord & Taylor earnings is not available, but they are understood to have shown equally satisfactory growth. Present dividends come well within the earning ability of the company. The policy followed is to retain one dollar in the business for every dollar disbursed to stockholders. The benefits of such a policy were well illustrated in the sensational advance in the old stock during 1924-1925. It is not reasonable to expect a repetition of these spectacular advances but a solid foundation appears to exist upon which to base the expectation of eventual higher prices.

AMERICAN SUGAR

How is American Sugar Refining weathering the depressed conditions existing in this industry? I have always been under the impression that a period of low raw sugar prices was beneficial to this company inasmuch as it is engaged mainly in the refining end. I am not certain about this and wish you would set me right. Also give me your opinion of the stock for holding over a period of about a year.—C. de C., Montreal, Can.

Periods of low raw sugar prices primarily affect the earnings of producing companies. American Sugar Refining is interested in the producing end of the business to some extent, but in the main its activities center in refining the staple. Experience has proved that refining companies can give a good account of themselves when conditions in the industry are embarrassing for their brethren operating large plantations. American Sugar did not do any too well in the first quarter of 1926, but with the curtailment in the Cuban sugar crop the sugar market has advanced in price for both the raw and the refined product, with the margin between the two being much more satisfactory. In the first few months' com-

petition among refiners was unusually keen but conditions have undergone considerable improvement, with further progress along these lines indicated. American Sugar is quite some distance removed from the entire solution to its problems but the steady progress in the right direction is gratifying to shareholders. We believe sufficient promise is held forth to warrant retaining.

MID-CONTINENT PETROLEUM

Has Mid-Continent Petroleum benefited to any appreciable extent from the better conditions existing in the oil industry? I bought this stock some years ago when it was known as Cosden. I have always been impressed with the potential value of the property and have persistently refused to sacrifice my holdings. Is your position constructive?—R. U., Nashville, Tenn.

Mid-Continent Petroleum has benefited to some extent from the improved oil situation but its showing has been rather poor in comparison with that of some of its leading competitors, notably Phillips Petroleum. For the six months ended June 30, 1926, Mid-Continent showed a profit of 6.81 millions after interest but before depletion and depreciation, against 7.34 millions in the first half of the previous year. However, financial position showed some improvement, first mortgage bonds being reduced about $900,000, with a like reduction in leasehold purchase obligations; working capital as of June 30 amounted to 22.58 millions, a considerable advance over the 17.06 millions on June 30, 1925. The present ratio of current assets to current liabilities is about 9 to 1. Mid-Continent is well situated to derive substantial benefit from later operations but the comparatively poor showing made to date prevents including the stock among the more attractive oil issues. We believe Phillips Petroleum has more to offer.

CONTINENTAL MOTORS

I understand that Continental Motors has acquired the American rights covering the manufacture and sale of a new engine of foreign make. A friend of mine is very enthusiastic about this and tells me it will revolutionize the industry. I think he is exaggerating but I will confess I am somewhat impressed. Will you give me your opinion?—J. A., Wilmington, Del.

To a certain extent your understanding is correct. Continental Motors has concluded negotiations for the purchase of the world patent rights on the Argyle single sleeve engine, recently developed. If all reports regarding this engine are true, it will become an important factor in the automotive industry of the United States. Officials of the company itself estimate it to be about 25% more efficient than the present poppet valve engine. It is understood to be suited for any type of automotive engine. The Argyle is able to attain a speed of 8,000 revolutions per minute, against the 3,500 revolutions per minute of the ordinary poppet valve engine. The Argyle engine lends itself to air cooling and manufacturing costs are considerably lower. If present plans are carried out Continental will be able to manufacture this engine in quantity within four or five months. Current earnings have shown somewhat

of a decline from those of 1925, but this is neutralized to a considerable extent by these developments in prospect. We do not rate Continental Motor an outstanding opportunity but we believe it to have fair speculative possibilities of a long range character.

SEARS, ROEBUCK

I would appreciate a brief history of Sears, Roebuck, together with your opinion as to holding or selling the stock. I have 50 shares purchased considerably below the market.—F. C., Brooklyn, N. Y.

Sears, Roebuck & Co. recently marked the 40th anniversary of the founding of the business by completing a 3 million dollar branch building at Atlanta, Georgia. The business was originally established by the late R. W. Sears at Redwood Falls, Minn., in 1886. Launched with a meager capital, the organization has expanded to an extent where it handles an annual volume of business in excess of 258 millions, and numbers among its customers more than 10 million families scattered throughout the country. In addition to factories and mills, it has stores in Chicago, Philadelphia, Atlanta, Kansas City, Dallas, Seattle and Evansville, Ind. Sears, Roebuck felt the adverse effects of the deflationary period which followed the war, but its record since that time has been of steadily advancing earnings. Reported net income equivalent to $20.87 a share on the one million shares outstanding in 1925, or about $5.21 a share on the present capitalization of 4.2 million shares. Considering the nature of the enterprise and the outlook for steady, natural expansion in business and earnings the shares might be said to have good long range prospects, but they can hardly be deemed cheap at the present time. A switch to National Supply which is reporting greatly increased earnings should be to your advantage.

"Y" OIL & GAS

In looking over some papers I discovered a certificate for 1,000 shares of "Y" Oil & Gas I had forgotten. I purchased this stock several years ago when it was traded on the Boston Curb. Has it any value today? Please advise whether I should dispose of my holdings.—R. S., Jersey City, N. J.

It is hard to see where you can expect to profit greatly through continuing to hold "Y" Oil & Gas stock. This company possesses an oil-content property, and owns a small production, but results from operations to date have been far from impressive. For the year ended December 31, 1925, the company reported earnings of $8,075, equal to $0.004 a share on 2.2 million shares of capital stock, against $0.003 a share in 1924 and $0.001 in 1923. Its financial position was somewhat improved last year, current assets increasing about $6,000, while current liabilities were reduced from $44,000 to $20,000, thus resulting in an increase in working capital from about $36,000 to approximately $66,000. The stock was recently quoted in the outside market at from 21 to 24 cents. "Y" Oil appears to be one of those minor oil en-

terprises that has just about kept its head above water. Any reduction in its present small output would probably be followed by a decline in earnings to the vanishing point. In our opinion the actual value for the stock lies in potentialities not clearly defined and more than the ordinary risk attaches to holdings.

CHILE COPPER CO.

(Continued from page 868)

6% bonds. They are convertible into stock at $35 a share, so that the privilege immediately becomes attractive when the market for the stock advances above that figure. The threat of a flood of new shares, up to a maximum of one million, coming on the market within a short space of time, naturally has the effect of maintaining the price level just below the pivotal point.

An artificial restriction of this character would be quickly swept aside should the improving situation in the industry give rise to a genuine upward movement in the price of copper metal. The position of the company likewise would be bettered through the elimination of the funded debt. *Chile Copper stock is not likely to offer the speculative appeal of some other mining issues, but it possesses undeniable investment qualities, and should be the source of no regrets to permanent holders.*

Important Corporation Meetings

Company	Specification	Date of Meeting
Allied Chemical	Dividend	8-31
Commercial Credit	Directors	8-31
Illinois Central R. R.	Directors	8-31
Moto Meter	Dividend	8-31
Pathe Exchange	Dividend	8-31
United Drug	Directors	8-31
U. S. Steel Corp.	Directors	8-31
American Snuff	Dividends	9-1
American Water Works	Directors	9-1
Lehigh Valley R. R	Dividend	9-1
Lorillard, P.	Dividends	9-1
Otis Elevator	Directors	9-1
Pere Marquette Ry.	Dividends	9-1
St. Louis-San Francisco	Com. Div.	9-1
Weston Elec. Instrument	Dividend	9-1
American La France	Dividend	9-2
American Locomotive	Directors	9-2
American Steel Foundries	Directors	9-2
May Dept. Stores	Directors	9-2
Reynolds (R. J.) Tobacco	Com. Div.	9-2
Allis-Chalmers	Directors	9-3
General American Tank Car	Pfd. Div.	9-3
American Beet Sugar	Directors	9-7
American Cyanamid	Directors	9-7
American Express	Dividend	9-7
American Light & Traction	Directors	9-7
Artloom Corporation	Com. Div.	9-7
Associated Oil	Dividend	9-7
Borden Co.	Directors	9-7
Brunswick-Balke-Coll.	Directors	9-7
Cerro De Pasco Copper	Directors	9-7
Endicott-Johnson	Dividend	9-7
Gimbel Bros.	Directors	9-7
Kresge Dept. Stores	Pfd. Div.	9-7
Manhattan Elec. Supply	Directors	9-7
Miami Copper	Directors	9-7
Timken Roller Bearing	Directors	9-7
Air Reduction	Directors	9-8
American Sugar Refining	Directors	9-8
Cluett, Peabody	Pfd. Div.	9-8
Eastman Kodak	Directors	9-8
Federal Light & Traction	Directors	9-8
Foundation Co.	Directors	9-8
Macy, R. H.	Pfd. Div.	9-8
Pacific Gas & Elec.	Com. Div.	9-8
Packard Motor	Directors	9-8
Woolworth, F. W.	Directors	9-8

THE MAGAZINE OF WALL STREET'S NEW COMMON STOCK PRICE INDEX

(*Continued from page* 837)

Atlanta, Birmingham and Atlantic, at fifty cents.

(3) A stock must be a speculative favorite to gain entrance to our list.

(4) No newly listed issue can be placed upon our list until the price has become acclimated to its new environment on the Big Board.

(5) An issue will be eliminated from the list when it ceases to be a speculative favorite.

(6) The index will include no stocks in which the floating supply is so scant as to render the price susceptible to wide gaps between sales.

(7) The list will retain relatively few stocks that have attained the status of thoroughly absorbed investments. It is the province of other indexes to cover such issues.

(8) The rule is so generally applicable to all kinds of markets, that it can probably be utilized, without alteration, as the method of compiling our lists for many years to come.

(9) The index is endowed with a high degree of continuity, considering its flexibility and the large number of stocks involved; for it usually requires a minimum period of several years for an originally large floating supply to percolate into the strong boxes of permanent investors.

(10) The rule insures that the composition of the averages will always keep abreast of evolutionary changes in the stock market.

Grouping

The 238 issues covered by our 1926 index have been classified, for purposes of analysis, under 34 different headings. In distributing these stocks among the various groups, we have endeavored to bring together all companies that fall under like economic influences. The captions are self-explanatory, excepting possibly the following:

Building Material: includes Paints, Roofing, Floor and Wall Coverings, etc.

Capital Goods: includes Construction, Machinery and Tools, Hardware, Road Material, etc.

General: does not here signify, "Not otherwise classified"; but includes companies whose prosperity is more dependent upon general business conditions than upon the situation in any single industry.

The number of issues in a group

(*Please turn to page* 892)

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BK-38-8-28

(*Continued from page* 890)

ranges all the way from thirty-six down to one. Anticipating adverse criticism for retaining so many one-stock groups, we hasten to admit their anomaly. They are not averages, even though presented under the guise of an index. Nevertheless, by including such limiting cases, we are able to accord certain prominent industries a modicum of recognition, while holding down to a minimum the "Miscellaneous" or "Unclassified" group. Market analysts and forecasters will find it illuminating to contrast the behavior of these one-stock groups with the action of larger groups that are more representative of their respective industries as a whole; for price movements in a single stock will sometimes be actuated by special influences not closely related to the industry it represents.

The character of our grouping will change from year to year, with the evolution in industry. As time passes, comparison of successive lists will present a rather interesting pageant of the rise and fall of leading industries. Fifty years ago, the proportion of railroad stocks on the list would have been close to 100%; now it is only 15%. Aeroplane, rayon and electric refrigeration securities have not as yet attained sufficient speculative importance to gain admittance to our list; but they seem destined to arrive within a few years. It is rather sobering to reflect that our industrial expansion is very young, and changing with appalling swiftness.

Weighting

At this writing, there are 5,084,200 shares of U. S. Steel outstanding, and the market price is around 150—last year, over 12,000,000 shares changed hands. Jones Brothers Tea, on the other hand, has only 100,000 shares outstanding, its price is under 13, and last year's turnover barely met our minium requirement of 100,000 shares. At first thought, it might seem illogical to give both of these issues the same standing in our index.

If the purpose of our averages were to maintain a perpetual inventory of corporate securities, it would be correct to weight each issue with the respective number of shares outstanding. And if our object were to present a moving index of the market value of all listed common stocks that change hands each week, it would then be fitting to weight each issue with its weekly volume of sales. The first method of weighting produces an index for the market's valuation of corporate securities; the second method indicates their velocity of circulation. Both are interesting to the economist; but neither meets the needs of the individual investor.

Tom Jones has a limited sum of money to invest. To be sure, it will purchase outright a greater number of shares of Alaska Juneau than of General Motors. But the number of shares outstanding bears no relation to the amount of his purchase, or the size of his profit; neither does the volume of sales. If his investment fund is equally divided between the two issues, a 50% rise in the price of one will produce the same profit as a 50% rise in the other. From his viewpoint, both stocks are equally important.

This explains why *our index of weekly closing prices is not weighted.* It is a plain arithmetical average of individual percentage ratios, computed as in our simple example of the A and B stocks—with final prices of the preceding year taken as 100. We regard it as needless refinement to carry calculations out beyond the first decimal place.

"Rights," stock dividends, assessments, etc., are treated specially; lack of space prohibits explanation.

Substitutions and Revisions

Our method of keeping the index up-to-date seems to offer a practical solution to the traditional academic difficulties attendant upon alterations in the list. The plan is to make revisions on the last trading day of each year—and at that time only—under guidance of our volume rule. Then we shall drop all issues in which the volume of sales during the year fell below 100,000, and add all common stocks in which the year's turnover amounted to 500,000 shares or over. During the year, no additional issues will be added to the list, and no stock will be dropped. Every stock that begins the year on our list will be carried along until December 31st; even though it be reduced by circumstances to a mere token of its original individuality. An example will make the riddle clear:

Fisher Body was recently exchanged for 2/3 share of General Motors, and the corporation dissolved. Nevertheless, Fisher Body will remain on our list until December 31st. Its market value will be the weekly closing price of 2/3 share General Motors (1 share of General Motors after payment of the 50% stock dividend), and its index computed by taking the percentage ratio of this value to the 1925 closing price of the then living Fisher Body. This is before considering the recent 50% General Motors stock dividend.

Through all these vicissitudes, however, the *number* of issues in each group must remain unchanged throughout the calendar year. This year there will always be 238 stocks included in the total averages—no more: no less. Next year there may be a different number; but that number also will remain unchanged up to the final trading day of 1927. The method here outlined makes it absolutely certain that *there can be no break in the continuity of the Index during any calendar year;* but what about the transition from an old list to the new one? Will this not cause a break in the graph, or at least some inaccuracy, at the point where the old year's list ends and the new year's list begins? Our reply to this inquiry is that there will be no discontinuity of any practical importance at these annual transition points, but explanation will wait until we publish the re-

(*Please turn to page* 894)

(*Continued from page* 892)

vision of the list at the end of the year.

THE MAGAZINE OF WALL STREET'S Common Stock Price Index is an unweighted average of weekly closing prices, specially designed for investors. It is compensated for stock dividends, rights, and assessments; and reflects all important price movements with a high degree of accuracy. Our 1926 Index is composed of 238 issues, distributed among 34 leading industries, and covers nearly 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange. Our method of making annual revisions in the list of stocks included, renders it possible to keep the Index abreast with evolutionary changes in the market, without impairing its continuity or introducing cumulative inaccuracies.

We regret that our present Index lacks the historic background of older compilations; but time will gradually remedy this defect. Meanwhile it is consoling to reflect that the chief value of price averages lies in their performance within a comparatively brief range of time. Perhaps later we may accelerate Nature's process of aging, by projecting our calculations backward into earlier years. The amount of labor involved in work of this character, however, is far greater than our non-mathematical readers might imagine.

Note: The next installment of "The Business of Trading in Stocks" will appear in our Sept. 25th issue.

CAN YOU AVERAGE 8% IN BONDS?

(*Continued from page* 848)

bond may reach by 1928, however, this conversion feature has been disregarded. It has also been disregarded in recommendation of this bond issue, which has been brought forward on account of its intrinsic position.

With no prior liens, and with junior securities valued by the securities market at least equal to amount outstanding of this issue, and with a sinking fund provision of $1,000,000 per annum, to operate at 100 and interest, with net tangible assets 1.60 times the amount outstanding, the issue is well buttressed. Earning power, however, is decisive. In 1925 Dodge Brothers showed gross of 216.8 millions, and a net of 28.7 millions, as against interest requirement of 2.75 millions. 1924 earnings also indicated a ratio of net available for such interest to gross as one to ten. 1926 indications are that net will be at least as large. It follows that earning power, insofar as the bonds are concerned, is remarkably high, and is likely to show large margins for the future. *Accordingly the bond is entitled by present market standards to sell on better than on a 6% basis. The bond is now at 96 and could sell above par.*

A. O. SMITH CORP.

First 6½s, May 1, 1933

THIS issue of a well known auto accessories manufacturer is beginning to command merited attention. Comparatively short-term, with only seven years to maturity, it is to be purchased primarily for income, since the call price provisions prohibit any very marked gains in value. Although present call price is 102, it will be reduced ½ point each year until 1932. Hence, prevailing price can be considered permanent level of the bond. On the other hand, current income of 6.47% is an excellent compensation for this non-profit feature. Earning power more than four times interest requirements, with strong net assets position, and high investment standing cannot be duplicated today in most other industrial bonds having a similar yield. Sinking fund requirements, which have retired nearly $400,000 of this issue, will retire $2,000,000, out of the $5,000,000 issued before maturity. For a small issue, with a short term, this adds considerable stability to quotations.

Automobile accessory companies are commonly liable to great fluctuations in earnings, but this does not appear to have been the case here. Net from sales has risen from $380,000 in the depression year 1921 to $1,343,000 in 1923, the year of greatest automobile production before 1925, and fell to $1,028,000 in a year of automobile recession such as 1924. This 1924 showing may be considered typical of a poor year under present conditions and interest was earned at least 3.15 times. Thereafter interest earned rose to 4.69 times, and for the last five years appears to have earned on the average more than four times. With sinking fund operations reducing the interest requirements. it follows that investment quality of this issue will improve, although this improvement will not be registered in gain in quotation.

The company has been in business since 1904, although taking present corporate form in 1916. Practically all frame requirements of some of the largest automobile manufacturers are supplied by A. O. Smith Corp. Among its customers are General Motors, Dodge Brothers, Nash and Studebaker. Many other companies have contracts for their frame requirements with A. O. Smith Corp., so that their business is not dependent upon a limited number of contracts. Contracts are said to be on profitable terms and have good duration.

A. O. Smith 6½s at par are an investment, unusually attractive as to yield.

The Magazine of Wall Street has compiled a list of books on Speculation, Economics and Business subjects published by other companies. All of these books have been read by our Staff of experts and we heartily recommend them to our readers. We invite further correspondence about this list. Address your inquiries care of Book Department.

KEEP POSTED

The books, booklets, circulars and special letters listed below have been prepared with the utmost care by business houses of the highest standard. They will be sent free on request, direct from the issuing house. Ask for them by number.

We urge our readers to take full advantage of this service. Address, Keep Posted Department, Magazine of Wall Street, 42 Broadway, New York City.

TATUM—A STORY FOR CONSERVATIVE INVESTORS

In this interesting booklet issued by one of the foremost first mortgage real estate bond houses, you are given a clear-cut description of the experience of the men behind the bonds issued. Be guided in your investments by the "Eight Cardinal Principles." Send for your free copy 375.

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Illustrated circular and samples of sheets used in superior loose-leaf system of eleven forms and monthly index, 7¾"x5". (260)

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This new booklet gives a descriptive and historical sketch of one of the largest public utilities in the country now responsible for public service in more than 1,000 communities. Ask for 362.

PUBLIC UTILITY SECURITIES AS INVESTMENTS

Send for your free copy of this booklet explaining the increasing popularity of this type of investment. Ask for 321.

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The principles of bond investment are outlined in non-technical language in this booklet issued by a member of the New York Stock Exchange. Ask for your free copy, No. 365.

PROFIT SHARING PLAN UNDER THE MAHLSTEDT-STEEN METHOD OF FINANCING

A plan of interest for investors combining Safety of Principal, Assured regular income, Return of principal, a continuing share in the profits. Ask for circular (361).

INVESTMENT FEATURES OF CO-OPERATIVE APARTMENT OWNERSHIP AT JACKSON HEIGHTS

A valuable booklet prepared by the Queensboro Corp., which shows the moderate cost and advantages to be derived from owning your own home in a beautiful section a short distance from New York City. Ask for (336).

STANDARD OIL BOOKLET

We have available a limited supply of the new 23rd edition booklet containing financial statements, dividend records, annual reports for 1924, price ranges, etc., of the Standard Oil group, together with an engineer's report on their acreage and oil reserves. Send for your free copy (219).

WHY A "NATIONAL UNION" FOR SAFETY

If you are seeking first mortgage bonds that are guaranteed—that are insured—that are protected—send for your free copy of this interesting booklet. Ask for 356.

MUNICIPAL BONDS NOW FAVORED BY SMALL INVESTORS

A prominent investment house has prepared an interesting folder showing the reasons why investors are once more turning to municipal bonds, now that the income tax has been decreased. Send for your free copy (371).

HOW MUCH SHOULD YOUR MONEY EARN?

Let this well-known first mortgage real estate firm explain to you the reason why Southern Bonds earn more. Send for your free copy (307).

THE BACHE REVIEW

By reading this timely booklet but ten minutes a week you will be able to judge the market more accurately. Sent for three months without charge. (290)

THE PRUDENCE PARTIAL PAYMENT PLAN

An interesting booklet describing how guaranteed first mortgage Prudence Bonds may be purchased in small installments. Special features of the booklet are the chart which shows how money grows and the fact that the partial payments draw 5½% interest. (316)

HISTORY OF N. Y. STOCK EXCHANGE

One of the oldest members has prepared an interesting booklet showing the progress made during the last fifty years by the N. Y. Stock Exchange. Send for your free copy (370).

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This booklet explains in full the methods used by a conservative Florida first mortgage real estate bond firm in guaranteeing 8% on their bonds. Ask for 368.

KARDEX INSTITUTE BULLETIN

Kardex Institute, an organization, for research in methods of business management and control, has published in this bulletin the methods of an outstanding leader in business. Send for your free copy to 349.

DO LARGE ASSETS HANDICAP STOCKS?

(Continued from page 832)

of stocks which advanced the most shows a great preponderance of the heavy asset stocks. The asset value taken is that of January 1, 1922, when the stocks began their advance. The table speaks for itself, and seems to be a fairly eloquent commentary on the "compounding" theory of the good will advocates. *Evidently, in the long run the stocks that score the largest advances are those that have the most substance.*

Another set of figures is given in Messrs. Foster and Catchings illuminating book on "Profits." The profits of producers of "consumers' goods," that is, goods sold eventually at retail, in which capital is small and good will most apparent, are given in the first group, and profits of producers of "producers' goods," that is, materials used in manufacturing, are given in the second group. The latter corporations have heavy machinery and practically no good will, as a group. The first group's profits for 1914 were 9.5% on capital stock, in 1915, 12.8%, in 1916, 19.7%, in 1917, 20.1% and in 1918, 15.0%. The second group's profits were 5.8% on capital stock in 1914, 12.1%, in 1915, 27.5%, in 1916-1917, 23.3%, and in 1918, 16.9%. The average profit for the first group, which had the lesser asset values per share was 15.3%, and for the second group, which had the greater asset value per share, 17.1%. While this table is not conclusive, since part of it belongs to war years, it produces grave doubts about consumers' goods corporations despite larger turnovers producing more profits than producers' goods corporations. Since rate of profits would affect the extent to which the market would discount profits, there can be little doubt that the case for good will companies is here somewhat weakened.

Can Theory Guide the Investor in This Problem?

The statistics cited are frankly disappointing. No clear theory emerges out of them, unless, perhaps, one wishes to wring a theory out of them. How then can the investor determine which group of analysts have spoken the last word?

The answer must be that there is no need to take sides. Both groups are using words and ideas which the investor can well afford to ignore. For example, those who adhere to the assets theory point out that in times of disaster, assets are helpful to a corporation, since they enable it to resume production in the future, and since it would be worth somebody's while to operate the plant for such consequent profits. Hence, there is intrinsic value in such a stock. On the other hand,

(Please turn to page 898)

(*Continued from page* 896)

the good will theorists rejoin that the mere upkeep of such assets, physical losses, depreciation, obsolescence, interest charges, etc., are fatal.

Now in the nature of the case what can such words possibly mean to the investor? To what specific company are they a guide? Almost no two companies have a similar ratio of plant and equipment to funded debt; to total net tangible assets per share; to working capital. No two of them would be alike in these respects, and yet also alike, say in ratio of investments to total assets. Each of them would have a different surplus, both as a result of varying earnings and differing surplus policies. Hence, if there are ten crucial facts about a corporation needful to determine what would be the effect on it of the stoppage of business cited above, how can any abstraction possibly fit each and every corporation? In view of the statistical uncertainties, how can any group be selected in which every company would be subject to the same influences in a similar manner?

There is no substitute for individual analysis of corporations. Not only is every corporation a law to. itself, on the basis of facts, but frequently on the basis of policy. That is to say, a different conception of what constitutes a profit may be indulged in honestly by two different corporations. Their depreciation policies may differ. Their methods of valuation, whether of property or investments, may vary. Unless this supplementary data is known, in addition to the more obvious facts very little that is helpful to the investor can be asserted about the corporation. If this is true of one, how much more so of a thousand! How futile then to speak of large asset value stocks and good will stocks as though by discussing this one feature, any light is shed on the operations or future of these corporations, or of the securities that represent an interest in them!

Where Theory Does Render a Service to the Investor

It does not follow, though, that all general ideas have no significance. It does follow, that unless these general facts can be conclusively demonstrated statistically, that they remain mere words. Very often a general situation is highly important. For example, the price of copper is an invaluable bit of general information needful for calculating possible profits for any and all copper companies. Hence, the method of THE MAGAZINE OF WALL STREET, which makes industrial surveys, comprising all the companies in an industry, and using this as a starting point *only*, then goes on to analyze the effect of this industrial situation upon the differing companies. Sometimes the effect is, say, bullish on all of the copper companies, but then that is a specific fact and not a mere verbal classification. Had the good will vs. assets value theory had a similar basis in statistical facts, it would have been equally important, but lacking any facts whatever, it is a mere collection of words, in which a great many things are asserted about stocks, without specifying just *how much* such assertions affect *just so many* stocks.

On the other hand, common sense, of a rather primitive kind, is also a kind of useful general knowledge for the investor. For example, every business man knows, that, generally speaking, few lines of business are more profitable than the average business for any length of time. This tendency of profits to an equilibrium is maintained by the flow of capital into any exceptionally profitable enterprise. Hence, if the so-called low asset stocks, or good will companies prove exceptionally profitable, this could not continue long, for capital would flow liberally into such a field, and reduce the rate of profit by competition. But capital would never flow quite so freely into a field requiring enormous investment, so that the high asset corporations are to that extent shielded against the full range of competitive effort. Each factor balances the other, and so an equilibrium of profits is brought about.

While this general principle cannot apply to any given corporation, since that corporation may temporarily prove a "gold mine" on account of individual circumstances, it is general principle that really means something, because it has been demonstrated for centuries, and is unquestioned by all important writers on economics.

The principle of the equilibrium of profits leads also to a principle of saturation of profits. An interesting example is the Atlantic and Pacific grocery system, whose profits are almost infinitesimal as a proportion of turnover although still excellent on the invested capital. But as chain stores and advertised products invite more and more capital, the profits must converge to the minimum. As such their sales ought to show a smaller rate of profit per transaction than that of corporations requiring a proportionately larger investment. Here is another phase of converging profits.

Businesses vary enormously in the ratio of capital investment to annual gross sales; they vary widely in the range of profit and loss observable within each group, and yet, throughout all, there is a tendency to an average rate of profit. It follows then, that to find out which stocks are likely to sell highest in relation to earning power, there is no general principle whatever than can guide the investor, since it could not be more general than the most general principle of all which favors an equilibrial tendency in profits. Hence, it is specific knowledge and adaptation of such knowledge which is the high road to profits in security purchases as in every other field of business and life.

The Magazine of Wall Street has compiled a list of books on Speculation, Economics and Business subjects published by other companies. All of these books have been read by our Staff of experts and we heartily recommend them to our readers. We invite further correspondence about this list. Address your inquiries care of Book Department.

RAILROAD EFFICIENCY HOLDS EQUIPMENT COMPANY EARNINGS DOWN

(*Continued from page 855*)

ness man's stock investment. Selling at around 100, to yield 6%, it seems a little out of line with other industrials in its class. Of course, it is too early to estimate earnings for the year to end April 30, 1927, but, if equipment buying improves as much as it logically should, the next annual report should be as good or better than the last.

PRESSED STEEL CAR Pressed Steel Car is a large manufacturer of cars of all kinds, but has a rather irregular record which renders all its securities quite speculative. Last year profits were insufficient to cover present preferred dividend requirements, but the fairly good orders received, especially for passenger cars, probably will enable the organization to make a little better showing in 1926. It is worth noticing that except for two years, 1924 and 1925, regular dividends of $7 a share have been paid on the preferred stock since 1899. The amount of preferred stock now outstanding, however, is larger than prior to 1926, due to a larger funded debt and to the recent recapitalization which had as its aim the transformation of the preferred from a non-cumulative to a cumulative issue. However desirable it may have been to clear up legal difficulties as to the dividend rights and privileges of the preferred stock, the change was not accomplished without an increase in capitalization which the company's recent record shows it could ill afford.

The bulk of the $8,000,000 funded debt is represented by a $6,000,000 issue of convertible 5s, due in 1933. These bonds are convertible at the rate of ten shares of common and two shares of preferred for each $1,000 piece. Obviously, until the company is much more prosperous than at present there will be little incentive to convert them, and the hope of a more conservative capital structure seems to rest in the elimination of this issue.

Liquid financial position is fair. Holdings of cash and call loans on December 31, 1925, were $4,939,677 against $4,776,657 inventories and $4,468,928 current liabilities. Net working capital at $14,364,428 more than covered the face value of the bonds outstanding.

Conclusion

The preferred stock appears to be essentially speculative until the funded debt is reduced materially, and until earning power is increased measurably by better conditions in the equipment business. The common stock seems rather far away from dividends, and at around 37 on its own merits looks rather high.

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date*

	Bid	Asked
Aeolian Co., pfd. (7)	80	85
Aeolian Weber	25	32
Aeolian Weber, pfd. (7P)	100	105
Alpha Port. Cement (3)	44	46
Aluminum Co. of Am.	71	74
Pfd. (6)	101	103
Pfd. Warrants	95	..
American Arch (7P)	109	112
American Book Co. (7)	135	140
Amer. Cyanamid (new):		
Cl. A (0.80P)	33½	40
Cl. B (0.80P)	33½	36
Pfd. (6)	88	91
Amer. Dist. Teleg. (3)	60	66
Conv. Pfd. (7)	107	109
Amer. Meter Co. (7)	82	85
Atlas Port. Cement (2)	45	47
Babcock & Wilcox (7)	118½	120
Barnhart Bros. & Spindler:		
1st Pfd. (7) G	104	107
2nd Pfd. (7) G	97	..
Bliss (E. W.) Co. Ctfs	19½	21
1st Pfd. (4)	53	..
Cl. B Pfd. (0.60)	9¾	11¼
Bohack (H. C.) Co. (10)	155	165
1st Pfd. (7)	98	102
Borden Co. (4P)	99	101
Bucyrus Co. (7P)	220	230
Pfd. (7)	108	..
Congoleum Co. Pfd. (7)	104	106
Continental G. & El. (4.4)	140	150
Part Pfd. (8)	101	102
Prior Pfd. (7)	96½	97½
Devoe & Raynolds:		
2nd Pfd. (7)	97	..
Fajardo Sugar (10P)	135	137
Franklin Rwy. Sup. (4)	79	84
Giant Port. Cement	55	60
Pfd. (3.5B)	55	60
Hercules Powder (8)	167	173
Pfd. (7)	114	115
International Silver (6)	90	92
Pfd. (7)	103	106
Jos. Dixon Crucible (8)	139	142
Johns-Manville, Inc. (3)	148	152
Knox Hat	67	72
Pr. Pfd. (7)	93	98
Part. Pfd. (A)	75	..
Lehigh Port. Cement (3)	84	87
McCall Corp. (2)	47	49
Manhattan Rubber (2.5)	39	43
Metropolitan Chain Sts.:		
1st Pfd. (7)	103	105
2nd Pfd. (7)	102	104
Nat'l Fuel Gas (6P)	155	160
New Jersey Zinc (8P)	190	194
Phelps Dodge Corp'n (4)	130	135
Pierce, But. & Pierce (2)	24	26
Pfd. (8)	100	103
Richmond Radiator	17	19
Pfd. (3)	40	42
Royal Baking Powder (8P)	168	173
Pfd. (6)	100	102
Ruberoid Co. (4)	83	86
Safety Car H. & L. (8P)	128	130
Savannah Sugar (6)	150	155
Pfd. (7)	125	130
Shaffer Oil & Ref. Pfd. (7)	100	103
Sheffield Farms Pfd. (6)	98	101
Singer Mfg. Co. (10P)	379	385
Singer, Ltd. (¼)	6¼	6¾
Superheater Co. (6P)	159	164
Technicolor, Inc.	4	6
Valley Mould & Iron	14	18
Pfd. (7)	78	83
Wash. Ry. & Elec. (5)	202	215
Pfd. (5)	90	..
White R'k 2nd Pfd. (6P)	120	150
1st Pfd. (7)	96	102
Woodward Iron	66	75
Pfd. (6)	85	..

*Dividend rates in dollars per share designated in parentheses.

G—Guaranteed as to principal and dividend by Amer. Type Founders.

P—Plus extras.

B—Also extras on account of arrears.

† Ex-dividend.

THE unlisted market remains active with a generally strong undertone. Good gains were recorded by many of the investment issues.

VALLEY MOULD & IRON CORP.

An interesting situation seems to exist in this company whose securities have recently been introduced to the unlisted market. Net profits available for the 2.0 million dollars of 7% cumulative preferred stock averaged $11.17 a share in the three years, 1922-1924. While earnings for the 100,000 shares of no par common averaged $1.55 for this same period, the company has written off substantial sums for depreciation so that its true earning power does not appear to be fully reflected in these figures.

The position of the junior securities, moreover, has improved materially as a result of recent additions to plant facilities and by virtue of the reduction in funded debt from 1.70 million dollars in 1922 to $750,000 in 1925.

The present organization was formed in 1917 as successor to a company of the same name, established in 1904. Its output includes ingot moulds and stools, hearth jackets, blast furnace bells and similar items employed in the manufacture of iron and steel. These products are protected by patents which assure freedom from undue competition and are sold under favorable contracts to several of the larger steel mills.

Operations were formerly confined to the Sharpsville, Pa., foundry where Valley Mould also owns a blast furnace located on lands held in fee. This plant is in the Youngstown district. Recently, however, its field of operations was materially broadened by completion of a new foundry at South Chicago. This plant, incidentally, the first of its kind in the western district, was built without any new financing.

Dividends on the preferred shares have been paid since 1917 with the exception of 1923 when an arrearage of $5.25 was accumulated. While no statement of 1925 earnings has been published, advices to this department indicate that between $2.50 and $3.50 a share was earned for the common stock. This year's showing is understood to be materially in excess of these figures. In any event, the fact that the preferred dividend accumulation referred to was quite recently paid up would suggest material improvement.

At current levels, the preferred stock is available to yield 8.43%. This is an exceptionally attractive return and appears to be occasioned solely by lack of recognition of the progress being made by the company. The common shares, of course, are speculative but seem to have good possibilities in view of the company's position.

PRODUCERS WHO DOMINATE THEIR FIELD

(Continued from page 853)

000 and short loans receivable to £1,-017,000 against current liabilities of £1,826,000, of which dividends declared amounted to £975,000.

At current quotations around 36-40 the stock yields about 6% gross and has interesting long term possibilities.

ALUMINUM CO. OF AMERICA

Hooking-Up With the Mellons

Like the International Nickel Company, this company owes part of its strategic strength to the control of geographically concentrated deposits of raw material. The bauxite deposits of Arkansas, controlled by this company, are practically the only ones in the United States commercially suitable for the production of aluminum. In addition, the company ownes large deposits in British and Dutch Guiana, obtaining, in fact, the bulk of its ore requirements from South America.

The company's interests are widespread including plants at East St. Louis, Illinois, Niagara Falls and other points in the United States and Canada. Incidentally to the manufacture of aluminum it has acquired several power systems, a small railroad and is affiliated with a Norwegian producing company.

In connection with this strategic situation it is interesting that aluminum in the form of clay is one of the most common minerals in the earth's crust but that no economical process has been devised for the production of aluminum from clay of which the metal constitutes about 25%.

Modern methods for large scale production of aluminum, requiring enormous quantities of electric power and the limited number of sufficiently large power-sites for economical operation help limit the fields of possible competition.

The company's development on the Saguenay River, Quebec, is to have an ultimate capacity of 540,000 h.p., over twice the size of Muscle Shoals, and is expected to begin aluminum production by September of this year.

As in the case of Nickel the Aluminum Company is consistently seeking to develop new use for its production, featuring its light weight, great strength, silvery non-tarnishing lustre and its resistance to many forms of chemical corrosion.

Among recent developments have been aluminum chairs in dining cars, aluminum cornices and other building adornments, fittings for street cars and buses and the like.

Until last year the stock was very closely held and financial statements were difficult to obtain. In July, 1925,

the company carried out an extensive reorganization of its capital structure reducing its outstanding common from $20,000,000 of $100 par to $7,500,000 of $5 par and issuing six shares of new common, 3½ shares of 6% cumulative preferred stock of $100 par and warrants for 3½ additional shares of preferred stock for each share of old common. In October of 1925 the $5 par stock was exchanged share for share for new common of no par value.

Present capitalization consists of a total of $17,896,000 of bonds issued or guaranteed by the company, $73,638,400 of preferred stock and $73,624,500 non-interest bearing warrants to be exchanged for a like amount of preferred stock on January 1, 1927, and 1,472,625 shares of common stock of no par value.

In connection with an offering of preferred stock last year, it was stated that earnings available for dividends in the 10 years, 1915-1924, had averaged $9,843,133 per annum, and that for the nine months ended September 30, 1925, they had amounted to $13,221,947.

According to the balance sheet as of September 30, 1925, current assets amounted to $64,370,000 of which $6,490,000 was cash and $10,441,000 marketable securities against current liabilities consisting entirely of bills and accounts payable amounting to $1,988,000.

While the full record of earnings is not available the stock has had a long and unbroken record of cash dividends ranging from 1% in 1908 to 12½% in 1924 to 1925 on the old $100 par stock, and including stock dividends of 100% in November, 1904, and 500% in December, 1909.

The present no par value common has carried no dividends to date, but at current prices around 73 is extremely attractive to that type of long-pull investor who is interested mainly in future possibilities rather than immediate return.

A FRANK VIEW OF ITALY'S OUTLOOK

(*Continued from page* 829)

among the outstanding principles of the New Italy."

After indicating assent, His Excellency continued: "We are hampered by our adverse balance of payments. The absence of a steady surplus balance naturally deprives the lira of that support which exists in other countries possessing a gold standard. Italy would like to return to the gold standard at the earliest opportunity. This return, however, is not quite such a simple matter as it appears. The economic cost of monetary stabilization possibly affected in a mild degree a great country like Britain. What would be the effect for a comparatively poor country like Italy, if the operation were carried out at the same speed? As I have explained elsewhere, with a rich country monetary rehabilitation cuts into the margin of wealth and with a poor country into the margin of necessities. Our annual savings are about equal to the daily needs of the population. Thus it would appear that the standard of living could not be further lowered."

"You have no doubt observed," he added, "that in the process of rapid deflation manufacturers and workers suffer terribly. A hasty return to the gold standard might cause grave convulsions. But look at what we have accomplished. Budget deficits for 1919-20, 1920-21, 1921-22, 1922-23, 1923-24 were gradually reduced until a surplus was revealed for 1924-25 and a still larger surplus is expected at the close of the current financial year."

Modestly, His Excellency admitted that during his term of office as Finance Minister Mussolini assisted in this remarkable achievement. But in other quarters I was informed that it was he who was mainly responsible, though it must be remembered, that Mussolini is also an astute financial organizer.

"Will you tell me something about the movement of the lira?"

"You will observe that the quotation of the lira has remained constant, moving within the gold points over long periods. The lira has even been at a premium over the French gold franc, which prior to the war gave us a standard of comparison for our currency. I am in favor of a free exchange market. If it has to be protected, the best way is by means of credits like those secured to support your sterling exchange in New York. We have the exchange position well in hand. Our people are willing to be taxed. They are not happy taxpayers. Nor for that matter are yours, from what I can read in your papers. But it is not the general principle for Italians to seek to evade taxation. With this in view and the action we have taken in effecting foreign debt settlements it appears that the foreign exchange position is not beyond control.

"I might add that Italians in the United States and Argentina do not remit home as in previous years. They are possibly rendered nervous by the unfortunate examples of French, German and other emigrants who have remitted home. It is almost needless to remind you that British and American tourist visitors to our country in even greater numbers than at present would assist our trade balance. Perhaps this increase may occur in the near future."

Questioned regarding the economics of Fascism, he replied:

"Until one or two years ago it might be said that Fascism tended towards a free-trade movement. But since then the general trend has been towards a policy of protection. It is difficult to see what the end will be, as the worker is behind the movement, and rightly or wrongly adduces from it that his labor is protected. I would remind you, however, that Italy has a great history of free-trade behind it. The old commercial cities such as Venice still act as beacons to show us what Italy could

do. But the trade guilds or corporations, which provide for the grouping of all Italian employers and employed, have given the Italian workmen new ideals in life and far-reaching results may ensue."

"Assuming that Italy is only interested in peaceful economic development," asked the interviewer, "why at the back of not a few of her movements is the question of armed force paraded?"

"We are not living in a disarmed Europe," returned His Excellency, with a smile. "Britain likes to protect her trade routes on the seas. France sees fit to spend considerable sums. Germany is an uncertain quantity. What is Italy to do? With the movements of her people restricted, and tariff barriers shutting out her goods shall a virile people lie down and perish? No, my friend, that is not possible. Italy has a coast line, harbors and a central trading position. Look at the map. Our development is peaceful, but we also must protect trade routes and possess sufficient arms to ensure doing so."

"Would Italy disarm if other nations were prepared to do likewise?"

"That is a hypothetical question," replied His Excellency, "which I will answer when a few of the more powerful nations make their position clearer."

Important Dividend Announcements

Note—To obtain a dividend directly from the company the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Payable
$1.60	Am. Bank Note cm.	$0.40	Q	9-15	10-1
$3	Am. Chicle cm.	$0.75	Q	9-15	10-1
$4	Am. Radiator cm.	$1.00	Q	9-15	9-30
$5	Am. Tel. & Cable	$1.25	Q	8-31	9-1
$4	Atlas Powder	$1.00	Q	8-31	9-10
..	Calumet & Hecla	$0.50	..	8-31	9-15
10%	Canadian Pac. cm.	2½%	Q	9-1	10-1
8%	Canadian Pac. pf.	2%	Q	9-1	10-1
7%	Case Thresh. pf.	1¾%	Q	9-1	10-1
..	Case Thresh. pf.	7%	Acc	9-1	10-1
$2½	Chile Copper	$0.625	Q	9-1	9-27
$8	Chrysler Corp. pf.	$2.00	Q	9-15	9-30
$2	Chrysler Corp. cm.	$0.50	Q	9-15	9-30
$7	Coca-Cola cm.	$1.75	Q	9-15	10-1
$9	Del. & Hudson	$2.25	Q	8-28	9-20
8%	Diamond Match	2%	Q	8-31	9-15
14%	Du Pont cm.	3½%	Q	9-1	9-15
$5	Eastman Kodak	$1.25	Q	8-31	9-1
..	Eastman Kodak	$0.75	Ext.	8-31	9-1
$5	Elec. Stor. Batt.	$1.25	Q	9-7	10-1
$8	Famous-Players cm.	$2.00	Q	9-15	10-1
$0.80	Fed. Lt. & Tr. cm.	$0.20	Q	9-15	10-1
$0.60	Fed. Lt. & Tr. cm.	$0.15	Stk	9-15	10-1
$8	Foundation Co.	$2.00	Q	9-1	9-15
$7	Gulf States St'l pf.	$1.75	Q	9-15	10-1
$6	Int'l Shoe cm.	$1.50	Q	9-15	10-1
$4	Kennecott Copper	$1.00	Q	9-3	10-1
8%	Laclede Gas	2%	Q	9-1	9-15
$4	Long Bell Lumber	$1.00	Q	9-10	9-30
$2	Manila Elec.	$0.50	Q	9-15	10-1
8%	Nat'l Lead cm.	2%	Q	9-10	9-30
$7	Norf. & West. cm.	$1.75	Q	8-31	9-18
$3	Owens Bottle cm.	$0.75	Q	9-15	10-1
$7	Owens Bottle pf.	$1.75	Q	9-15	10-1
$2.40	Packard Motor	$0.20	M	9-15	9-30
7%	Radio Corp. Pfd.	1¾%	Q	9-1	10-1
$2	St. Joseph Lead	$0.50	Q	9-9	9-20
..	St. Joseph Lead	$0.25	Ext	9-9	9-20
$1.40	Shell Union Oil cm.	$0.35	Q	9-7	9-30
$6	Sloss-Sheffield cm.	$1.50	Q	9-10	9-20
$6	Southern Pacific	$1.50	Q	8-27	10-1
8%	Stand. Gas & E. pf.	2%	Q	8-31	9-15
$1	Stand. of N. J. cm.	$0.25	Q	8-26	9-15
$7	Stand. of N. J. pf.	$1.75	Q	8-26	9-15
$10	Union Pacific cm.	$2.50	Q	9-1	10-1
$2	Unit. Cig. Strs. cm.	$0.50	Q	9-10	9-30
5%	United Cigars cm.	1¼%	Stk	9-10	9-30
7%	United Cigars pf.	1¾%	Q	8-31	9-15
$4	United Fruit cm.	$1.00	Q	9-4	10-1
$10	U. S. Cast Ir. P. cm.	$2.50	Q	9-1	9-15
$7	U. S. Cast Ir. P. pf.	$1.75	Q	9-1	9-15
$7	U. S. Steel cm.	$1.75	Q	8-31	9-29
$4	White Motor Co.	$1.00	Q	9-15	9-30
$4	Yale & Towne	$1.00	Q	9-10	10-1
$4	Young. Sh. & T. cm.	$1.00	Q	9-15	9-30

New York Curb Market

IMPORTANT ISSUES

Quotations as of Recent Date*

Name and Dividend	1926 Price Range High	Low	Recent Price
Albert Pick Barth wi	13	10	12⅞
Amer. Gas & Elec. (1)	99¾	64	97
Amer. Super Power A (1.5)	37⅞	19½	32⅛
Amer. Super Power B (1.5)	39	21	31
Centrif. Pipe (1)	27	15¾	20¼
Cities Service New (1.2)	43¼	37½	43¼
Cities Service Pfd. (6)	88¾	82⅜	88¾
Continental Baking B	30½	8¾	12
Continental Bak. Pfd. (8)	101	86½	92¼
Curtiss Aero	23⅞	15⅛	16
Curtiss Aero Pfd. (5)	89½	75½	86
Durant Motors	13¾	3⅛	11¾
Elect. Bond & Share (1)	86	56½	73⅜
Electric Investors	74½	30¾	45½
Ford Motor of Canada (20)	655	440	499
General Baking A (5)	79½	44½	58½
General Baking B	17⅞	5⅛	6¾
Gillette Safety Razor (3)	114	89	92¾
Glen Alden Coal (7)	173¾	138½	171
Goodyear Tire & Rubber	40	27	36¾
Gulf Oil (1.5)	93¾	82	85¼
Happiness Candy Store (50c)	8¼	5⅞	6¼
Hecla Mining (2)	19¼	15½	18
Horn & Hardart (1.50)	62⅞	41	51
International Utilities B	9⅞	4⅛	4¾
Land Co. of Florida	47¾	21	24¾
Lion Oil & Refining (2)	25¾	20⅛	23
Metro Chain Stores	50½	25½	36½
Mountain Producers (2.40)	26	23	24⅝
New Mex. & Arizona Land	17	9⅛	12½
Nipissing Mining (60c)	7½	5	5⅝
Northern Ohio Power	26⅛	11	14⅞
Pacific Steel Boiler	16⅜	11	12⅞
Puget Sound P. & L.	66½	27	27⅛
Reo Motor (80c)	25⅝	19¼	21⅝
Rickenbacker Motor	9½	3	5⅝
Salt Creek Producers (2)	36	28⅞	30⅞
Servel Corporation A	30½	15⅛	22
Southeast Pwr. & Lt. new	46¾	20	29¼
So'east Pwr. & Lt. Pfd. (4)	66½	59	65⅝
Stutz Motors	37¾	19	21⅝
Trans Lux	14	6½	8
Tobacco Products Export	4⅞	3½	3⅝
Tubize Artif. Silk	240	161	182
Victor Talking Machine	97⅝	68	84

STANDARD OIL STOCKS

Name and Dividend	1926 Price Range High	Low	Recent Price
Continental Oil (1)	25⅞	19½	20⅞
Humble Oil (1.2)	99⅝	52	60⅝
International Pet. (50c)	35¼	28¾	33⅞
Ohio Oil (2)	67⅝	55¾	60¾
Prairie Oil & Gas (50c)	60¼	48	51
Standard Oil of Ind. (2.5)	70½	61¼	64¼
Standard Oil of N. Y. (1.4)	47⅛	30⅝	32⅞
Vacuum Oil (2)	109⅝	94⅛	102½

*Dividends quoted dollars per share, Aug. 17.

IRREGULARITY has characterized trading during the latest sessions on the floor of the New York Curb market with the main body of stocks moving in mixed trends. The oil shares have been uniformly soft with movements confined within narrow limits and on the average a comparatively smaller volume of trading than in past weeks. Most of the utility stocks were firm with a modest advance recorded for *American Super Power* issues and *American Gas & Electric,* both issues continuing the trend of past weeks on buying that appeared to be of a substantial character. *Cities Service* issues were strong, both the common and the preferred going into new high ground for the year. The steadiness of the utilities was not without exceptions, however, a notable one being the profit taking in *Electric Bond & Share* which lost more than half of the six point gain recorded during the previous fortnight.

The mixed influences were most marked in the industrial group. *Continental Baking* B stock sold up from 9 to 12 with a similar demonstration in other baking issues. *Durant Motors* held the ground gained in recent weeks and after overcoming selling pressure, advanced fractionally higher than the "high water mark" of the previous move. The rest of the motor group, also benefitted from the more optomistic sentiment that momentarily prevails incidental with the General Motors melon cutting. *Stutz Motors,* apparently having had its move, continued to settle back although the company is doing well and seems to occupy a particularly favorable position within its price field. Heavy buying of *Glen Alden Coal* carried this issue to a new high for the year. *Servel Corporation "A"* stocks held remarkably firm in the face of drastic price cuts announced by the leading manufacturer of electric refrigeration units.

Petroleum stocks on the whole showed little change but an average price at the end of recent sessions is fractionally lower than the average that prevailed a fortnight ago. There seems to be little disposition among traders to "sell the oils," but, on the other hand, little buying enthusiasm exists. Oil stock specialists are training a weather eye on the Southwestern fields where increases in output have been established for a number of weeks past with a consistency that at least means more than ordinary success from the drilling operations in this section. A large output of crude could conceivably have an adverse effect on the operations of the refining companies, whose larger than normal output of petroleum products so far this year has been largely based on the probability of lower crude production.

The Second Mortgage Industry

—and how to participate in its unusual earnings

This is the subject of a very interesting book compiled by the United States Bond and Mortgage Corporation, the largest second mortgage institution in America.

The book explains how this Corporation selects its second mortgages, appraises the properties to establish safety, verifies the titles, checks the paying ability of its mortgage owners, arranges the mortgage reduction installment payments, collects the interest and handles its other new way safety methods of operation.

A few years ago the United States Bond and Mortgage Corporation entered the mortgage industry, doing business in both first and second mortgages. It found the first mortgage field overcrowded; it found the second mortgage field in a chaotic condition. It organized a large Board of Directors and Stockholder Appraisal Committees composed of bankers, business men, realtors and builders of wide experience and expert knowledge in the mortgage field. It worked out, perfected and established its own pioneer standardized policies and practices that have changed the whole second mortgage industry and made it one of the most promising new fields of investment. This leadership brought outstanding success. The Corporation's assets are now nearly $2,000,000.00 and earnings are growing very rapidly.

So far it has confined its operations to the purchase of selected, amortized second mortgages on private homes of the better type. These have continued to flow toward it in such volume that it has twice been compelled to increase its capital to cope with the situation.

This is the first company in America to recognize the second mortgage industry as an absolute necessity to modern life and to build its foundation on its own fundamental reorganization and standardization of this field. Its noteworthy success is attested by the presence on its Appraisal and Executive Committees of the representatives of more than forty banking institutions. The market value of its stock has steadily increased so that each new increase in capital has been quickly taken in large measure by those already connected with the institution as stockholders or officials.

Anyone looking for a good investment should send for this unusual book telling how we operate and you participate.

UNITED STATES BOND & MORTGAGE CORPORATION

United States Bond & Mortgage Corporation,
8 East 41st Street, New York, N. Y.

Please send me a copy of your book, entitled, "Sharing Second Mortgage Profits with Investors."

Name ....

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Home Phone ....

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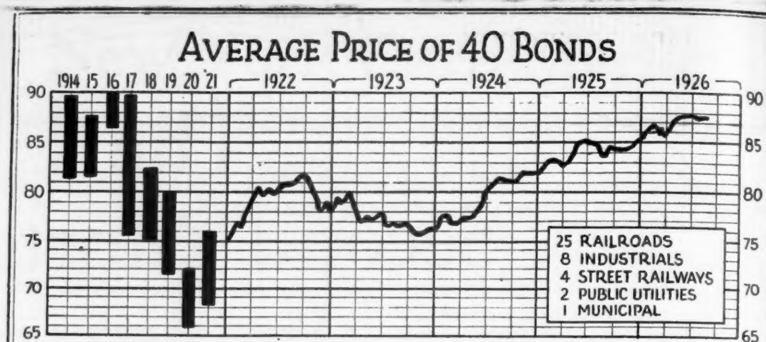
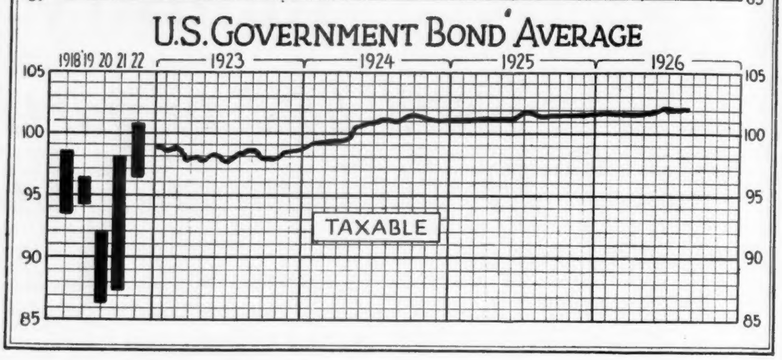
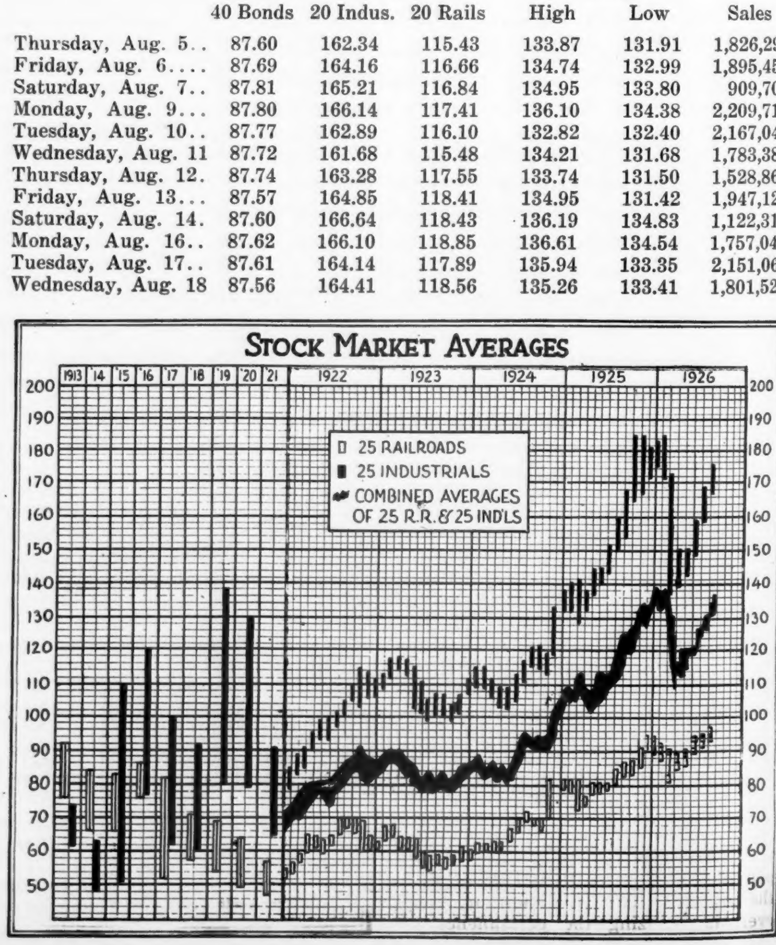
Business Phone 1828





MARKET STATISTICS

	N.Y.Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	20 Rails	N. Y. Times —50 Stocks— High	Low	Sales
Thursday, Aug. 5..	87.60	162.34	115.43	133.87	131.91	1,826,298
Friday, Aug. 6....	87.69	164.16	116.66	134.74	132.99	1,895,450
Saturday, Aug. 7..	87.81	165.21	116.84	134.95	133.80	909,700
Monday, Aug. 9...	87.80	166.14	117.41	136.10	134.38	2,209,710
Tuesday, Aug. 10..	87.77	162.89	116.10	132.82	132.40	2,167,048
Wednesday, Aug. 11	87.72	161.68	115.48	134.21	131.68	1,783,384
Thursday, Aug. 12.	87.74	163.28	117.55	133.74	131.50	1,528,861
Friday, Aug. 13...	87.57	164.85	118.41	134.95	131.42	1,947,120
Saturday, Aug. 14.	87.60	166.64	118.43	136.19	134.83	1,122,310
Monday, Aug. 16..	87.62	166.10	118.85	136.61	134.54	1,757,040
Tuesday, Aug. 17..	87.61	164.14	117.89	135.94	133.35	2,151,067
Wednesday, Aug. 18	87.56	164.41	118.56	135.26	133.41	1,801,521



TRADE TENDENCIES

(Continued from page 874)

in the latter part of the year.

Some apprehension over steel prices generally is felt. With the level already low, further weaknesses have lately been manifested. Sheets, however, are the exception, and the long predicted upward revision for September has resulted lately in good volume in this line.

A change has come over the iron market which is quite apparent. Where there has been an apathetic movement, with prices generally weak, more steadiness and a stronger undertone are developing. The condition of the trade has considerably improved owing to the fact that both producers and consumers have not overstocked.

TEXTILES

Demand Broadening

Numerous small indications presage a gradual strengthening in the textile situation. Although prices are low in both raw and finished materials, the volume of goods moved is increasing in response to a broader demand and a better feeling prevails. Silks are withstanding the growing popularity of rayon remarkably well. Apparently the requirements for the silken type of fabric are sufficiently diversified to offer a field for the real as well as the artificial product. The closing of many silk mills produced a desirable effect in stimulating interest, which gives evidence of being fairly well sustained. While business in woolens continues in relatively small proportions the tone of the market is confident. New lines recently opened at a 10% concession over last year's levels are attracting fair volume, particularly from the garment trade. In cotton cloth the volume of trade gives increasing encouragement in the face of small margins and an uncertain raw cotton market. It is reported that July saw the greatest amount of gray cloth sold in the New York spot market since last Fall. Cotton consumption is generally running ahead of the present curtailed rate of mill production, with evidence of improvement.

One of the besetting difficulties of the textile industry, in common with many others, is the practice of wholesalers and distributors in purchasing only in alignment with present demands. The textile buyer has become accustomed to drawing on heavy mill stocks and getting excellent delivery under present transportation conditions. Hence, he carries but little beyond current needs. Buying, as he does, with one eye on the raw market, the falling prices of the past months have served only to confirm the practice. The mill operator, however, is realizing the permanence of

"hand to mouth" buying, and is adjusting his production program accordingly.

The recovery of a great industry under the handicap of low prices will naturally be slow, but the growing confidence of both buyer and seller is believed to forecast its consummation.

METALS

Strength Predominates

It appears that the non-ferrous metals have been definitely roused from their period of price lethargy. With both foreign and domestic demand active, stocks relatively low, and price displaying a rising tendency, the gradual upturn is healthy and gives evidence of holding its ground, even in the face of a continuation of the present rate of production.

The rise in copper prices, beginning the middle of last month, took place when supplies in Europe were at a low point. Somewhat the same situation prevailed in this country. If producing interests are wise in meeting consumption demands, both here and abroad, and so prevent an abnormal market, the buying movement may be continued for some time, even with moderate continued price appreciation.

Lead is in an equally strong position, with a sustained demand emanating from the pigment manufacturer as well as the users of the metal. The rise in price has been steady since June, culminating recently in an increase of $5 per ton by one of the largest producers.

Although the world's supply of zinc was reported to have fallen some 8,000 tons in June, American production has been at a high rate and has benefited by a developing strength in prices. An active demand from galvanizers and brass makers has reduced stocks.

In this generally strong position of the metal group, silver is found in marked contrast. Its price has been following a downward trend for many months, accelerated by the large production of the U. S. On the report, however, of the Indian Currency Commission relative to the stabilization of the rupee on a gold basis, and the resulting heavy offerings from both India and China, silver prices touched the lowest figure in ten years. Although finding increasing use in the arts and industry in this country, the curtailment of large foreign markets does not promise any upturn in the near future.

PACIFIC GAS & ELECTRIC CO.

(Continued from page 851)

times as much, per unit of gross revenues received. In order to utilize to the full, all of the vast water power of Central California, and especially in order to obviate drouth, such as was experienced in 1924, Pacific Gas & Electric is now committed to a temporary policy of great construction. But this very concentration of heavy investment at this moment, means that the corporation is near the peak of its construction investment, and that when the corner is turned, cumulative profits ought to show an almost geometrical rate of growth. It is at this moment, before the turn in the ratio of investment to revenue, that the stock will be cheapest. It is well known that just as initial investment in hydro-electric enterprise is higher than that of steam generating utilities, operating profits are far larger in the cast of hydro companies than for companies burdened by fuel costs.

An excellent example of profit possibilities can be shown by the following exhibit. Assume, conservatively, gains of 5% per annum in gross revenues, and, therefore, greater gains in net income available for bond interest. If funded debt and preferred stock increase at only one-half the rate that has prevailed until now, it it not too much to say that the amount earned on the common stock ought to be increased by about 15% per annum. This assumes a rate of growth in the common stock outstanding half that prevailing in the last five years. Earnings may ultimately be greater than this minimal estimate.

Pacific Gas & Electric is then a stock whose present dividend rate and earning power seem assured, and whose future will begin to show itself when the ratio of capital investment to operating revenues turns the corner.

Other Factors Not Significant

An important development has been the action of the city of San Francisco with reference to the Hetch-Hetchy properties. This great flooded valley, supplying power to the city of San Francisco, has both its reservoir and power house owned by the municipality. The transmission line connects with Pacific Gas & Electric transmission lines, and San Francisco sells the power to Pacific Gas & Electric, who in turn distribute it over their lines in the city. Resolutions have been passed to request the Railway Commissioners of California, to place a valuation upon the transmission lines of Pacific Gas & Electric in San Francisco, with a view towards the city taking it over. Naturally, the Pacific Gas & Electric would be entitled not merely to the valuation of the system within the city, but also to such disruptive damages as would ensue to it from having its entire connecting system *outside* San Francisco end nowhere. Such disruptive damages would undoubtedly

add enough to the cost to make this municipal undertaking foolishly uneconomic. At any rate the matter will probably drag out for years; action is not probable, and when taken would have to be rejected. There is little other than a remote contingency to be considered in this connection.

At prevailing prices of 127 to yield 6.30% Pacific Gas & Electric common gives assurance of sustained income, and while some time may elapse before a change in fundamentals, eventually, the stock should show increased earning power, and, therefore, reach higher market prices.

Cumulative Index to Volume 38

Pages 1 to 100 ***Inclusive, May 8th, 1926***
Pages 101 to 196 ***Inclusive, May 22, 1926***
Pages 197 to 300 ***Inclusive, June 5th, 1926***
Pages 301 to 404 ***Inclusive, June 19th, 1926***
Pages 405 to 502 ***Inclusive, July 3rd, 1926***
Pages 503 to 636 ***Inclusive, July 17, 1926***
Pages 637 to 724 ***Inclusive, July 31, 1926***

~The Best Investment~ Health and Recreation

With many people on their vacations, those of us who cannot get away now are naturally thinking of the time when we can and where we will go.

This is an ideal time to make definite plans for trips in the fall or winter. There are many short trips as well as longer cruises, if they appeal to you, where new faces can be seen and recreations enjoyed with new thrills.

Let us help you plan your trip. We will be very glad to get information or make reservations for you.

For information on any listing or resort, merely check those desired and mail with your name and address to

TRAVEL DEPARTMENT

The MAGAZINE of WALL STREET

42 Broadway — **New York City**

Scheduled Tours and Cruises

Round the World Cruise

S.S. CARINTHIA ....Oct. 14, 1926
S.S. EMPRESS OF SCOTLAND................Dec. 2, 1926
S.S. BELGENLAND ....Dec. 14, 1926
S.S. RESOLUTE ....Jan. 6, 1927
S.S. FRANCONIA ....Jan. 12, 1927
S.S. CALIFORNIA ....Jan. 19, 1927

There are also many conducted cruises and independent trips. Information on these will gladly be sent if you will tell us where you want to go.

Great African Cruise

S.S. ASTURIAS.....................................Jan. 20, 1927

West Indies Cruise

S.S. FRANCONIA...................................Dec. 22, 1926
S.S. MEGANTIC...............................To be announced
S.S. CALEDONIA ....Jan. 22, 1927
S.S. CALEDONIA ....Feb. 26, 1927

Mediterranean Cruise

S.S. HOMERIC...Jan. 22, 1927
S.S. TRANSYLVANIA ....Jan. 29, 1927
S.S. SAMARIA ....Feb. 9, 1927
S.S. EMPRESS OF FRANCE...............................Feb. 12, 1927
S.S. MAURETANIA ....Feb. 21, 1927
S.S. ADRIATIC.................................Jan. 6 and Feb. 24, 1927
S.S. LAPLAND.................................Jan. 15 and March 5, 1927

There are also regular sailings which include North African Tours.

South American Cruise

S.S. LACONIA ....Jan. 29, 1927
S.S. CALEDONIA ....Feb. 5, 1927

Scenic Rail Routes and Resorts

New York Central Lines
Operates through service between New York, Boston, Montreal, Toronto, Chicago and St. Louis.

Canadian Pacific Railway
Trans-Canadian Nova Scotia to Vancouver through Rockies and National Parks.

Northern Pacific Railway
Yellowstone Park and Scenic Northwest.

Southern Pacific
New York to New Orleans by steamship or rail connections.
Scenic Southwest all California Coast and Valley Points.

California Tours
The Redwoods, Yosemite, National Park, Mountains, Lakes, etc.

Pennsylvania Railroad
New York, Philadelphia, Atlantaic City, Washington to Chicago and St. Louis.

Canadian National Railways
Quebec to Montreal, across prairies and Rockies to Prince Rupert and Vancouver.

Union Pacific
Central Route between Chicago and California over overland trail.

Sante Fe
Old Santa Fe trail to Southwest. Petrified Forest, grand Canyon and other National Parks.

Hawaii
The Paradise of the Pacific. The land of Sunshine, Smiles and Flowers.

Yellowstone National Park
America's playground in the Rocky Mountains.

Seattle—The Pacific Northwest
The gateway to Alaska. Fishing, Hunting, and other sports.

Bungalow Camps in Canadian Rockies
Ideal way to enjoy a vacation. Beautiful scenery with all sports.

Intimate Talks with Readers

SHOULD THE BUSINESS MAN SPECULATE—AND HOW?

Business itself is a speculation. Business consists solely of acquiring labor and materials in the *expectation* of selling same at a profit—nothing more. Wall Street's biggest operator used to say, "Life itself is a state of existence coupled with taking chances." The merchant who is giving his orders at this moment to his wholesaler, local distributor, or manufacturer, has no assurance whatever that he will find buyers next week, or next month, who will take his goods off his hands at a profit. Any business man, in business for himself during the last ten or fifteen years, will confirm that business *also* consists in taking chances.

Speculating in shares of stock in our national business is only another form of actually doing business. The owners and big stockholders do not actually refine the oil, build the locomotives, or run the trains of the industries they own. The mere fact that they increase or decrease the size of their ownership by buying or selling *their shares*, and often reinvesting in other stocks, rather confirms the idea that in these enlightened times, the use of good judgment by a business man as to better possibilities "on the outside" is not something that will detract from a business man's credit.

Indeed, the wider vision of what the rest of the world is doing, the enlarged experience gained by keeping "tabs" on many other basic lines like sugar, rubber, steel, leather, chemicals, coal, oil, copper, shipping and transportation (to name only a few), *must* make the business man who knows his stock market, *a better business man.*

What line of business are you in? The writer, or our staff, may be able to tell you more remarkable things about it than you yourself may think possible. The stock market is nothing else but *very able merchandising*, and save for its enormous size and diversity of goods may be compared with a huge department store. It stocks up when it expects better times *ahead*, and lightens up its load when it believes the peak has been passed temporarily.

However, the business man who aims to speculate successfully must avoid two things, the writer believes. He must not become a day-to-day trader. He can hardly combine the function of investing with speculating. To make the last point clear, the business man who has been speculating, we will say, in General Motors might figure it is high enough, even to discount an increased dividend: while the investor will be content to hold it figuring its dividend is perfectly safe, it will probably pay more, and its investment possibilities are not exhausted.

Day-to-day trading is an obviously poor proposition for the business man.

(*Please turn to page* 914)

Keep Posted

The books, booklets, circulars and special letters listed below have been prepared with the utmost care by business houses of the highest standard. They will be sent free on request, direct from the issuing house. Ask for them by number.

We urge our readers to take full advantage of this service. Address, Keep Posted Department, Magazine of Wall Street, 42 Broadway, New York City.

FOR INCOME BUILDERS

This booklet describes a practical Partial Payment Plan, whereby sound securities may be purchased through monthly payments of as little as $10. Shows how a permanent, independent income may be built through the systematic investing of small sums set aside from current earnings. Ask for 318.

LET YOUR MONEY EARN 6%

If you are a small investor, you cannot afford to risk your money in speculation. Place it in shares of one of the safest building and loan associations. Send for their booklet No. 293.

44 YEARS WITHOUT LOSS TO ANY INVESTOR

The well-known firm of investment bankers who bring out this booklet have endeavored in the 1925 edition to present a comprehensive story of the business methods which for 44 years have insured the safety of all their underwritings to the end that no investor has ever suffered a loss or been compelled to wait even a single day for the payment of principal and interest upon his securities. (217)

ODD LOTS

A well known New York Stock Exchange firm has ready for free distribution a booklet which explains the many advantages that trading in odd lots offers to both small and large investors. (225)

HOW TO GAIN INDEPENDENT MEANS AND A LIFE INCOME

Presents the details of eleven plans whereby the investor can acquire financial worth of from $3,315 to $66,719 by the systematic investment of from $10 to $100 monthly. Figures verified by Haskins & Sells, Certified Public Accountants. For a free copy of this booklet, ask for 344.

CREATING GOOD INVESTMENTS

This 8-page booklet, issued by one of the largest first mortgage real estate bond houses, show you how to "check up" first mortgage real estate bonds. Send for (264).

A QUESTION ANSWERED

An extremely interesting illustrated booklet explaining how a stock exchange firm handles out of town business. It shows how orders are treated from the time the letter arrives to the final placing of the certificates purchased. (278)

"RULES FOR SAFE INVESTMENT"

Knowledge gained over a long period of years makes it possible to determine whether a given spot in a city will have a growth in property value which will be steadily increasing. This is only one of the important factors of safety of Real Estate Bonds which are explained in this booklet. Ask for 327.

THE REAL ESTATE INVESTMENT OF THE FUTURE

Mr. Fred F. French, one of the country's foremost real estate authorities, has explained the operation of the French Plan in the above mentioned book. Send for your free copy (348).

THE PARTIAL PAYMENT

method of purchasing good securities in odd lots and full lots on convenient terms is explained in a free booklet issued by an old established New York Stock Exchange House. (224)

PETROLEUM INDUSTRY

A folder suggesting a diversity of attractive bonds and preferred stocks, yielding from 5.15% to 7.48%. Ask for free copy 359.

HOW TO JUDGE SOUTHERN MORTGAGE BONDS

This free booklet contains the net of this old-established Company's experience in the First Mortgage Investment Field in the South. Ask for (302).

6% AND SAFETY LIST

For over fifty years we have been assisting investors in the selection of sound securities and our information department has recently compiled this list which we will send you free. Ask for (313).

(Continued from page 912)

The writer has never yet seen the ticker blend successfully with good business. It is a nerve and thought destroyer for the average business man, just as it is a fascinating study and pleasant hobby (also a profitable one) for the student who specializes in day-to-day trading.

The business man can and should confine his attention to a limited number, say twenty at most, of the leading representative securities, preferably not more than one or two in any big group—and confine his entire "speculative attention" to them. He should choose a security that is really representative of its industry, and, from its action, try to anticipate *the future of that industry and the bearing of the business outlook on that stock.*

We know of several successful and conservative business men who have followed these methods for years, always with success. These people have usually advocated a margin of not less than thirty points, with a further fifteen to twenty points in reserve—either for protection when needed, or to average down. The time involved in each "trade" has varied from as little as one month, to as long as six months. In the latter case, a business man "speculated" in U. S. Steel around 85 and sold at 110—it took months.

A position would not be taken, as your first venture, while stocks are high: and they are undeniably high now! The business man who speculates will not have so many opportunities, numerically, as the trader: but the writer is assured that the real opportunities are worth waiting for, even though months of inactivity intervene in the interim. Yet all stocks, all groups, are not high or low at the same time. Indeed, even in a bull market, other groups are at prices that represent bear-market levels, and for a longer pull the best of them will surely work out right in the end.

Where it is possible to "take a position" in a dividend-payer, by all means do so! Few things are as discouraging as non-dividend payers that, besides displaying sluggish tendencies, consume themselves in carrying charges.

San Francisco Stock Exchange

FOR the convenience of those of our subscribers and readers interested in leading Pacific Coast securities, we shall, commencing this issue, publish the following table:

Bank and Public Utility Stocks

		1926		Last Sale
	Div. Rate	High	Low	Aug. 19
Anglo & London Paris Nat. Bank	$10.00	202	191¾	195
Banc Italy Corpn	2.24	80⅝	72	80
Bank of Italy	16.00	461	436	455
East Bay Water A Pfd	6.00	97½	93½	96½
Federal Telegraph	...	13⅝	8¾	13
Great West Pwr. Pfd	7.00	103⅛	101	102⅞
Key Prior Pfd	7.00	89⅞	76½	76½
Los Angeles Gas Pfd	6.00	99⅛	95½	98¼
Pac. Gas First Pfd	6.00	102¼	97	100¼
Pac. Gas Common	8.00	132¼	118	129¾
Pac. Tel. Pfd	6.00	103¼	99⅞	102

Industrials and Miscellaneous

Alaska Packers Assn	8.00	180	160	170
California Packing	4.00	74½	70	71½
California Pete. Com	2.00	38¼	31¼	32½
Caterpillar Tractor	5.00	150	111½	136½
Emporium	2.00	38	36	37⅜
Fireman's Fund Insurance	5.00	97½	91½	93¾
Foster & Kleiser	1.00	13	11	12
Hale Bros.	2.00	36½	35⅛	36¼
Hawaiian Coml. & Sugar	3.00	48	44	45
Hawaiian Pineapple	1.80	60⅛	48	53½
Home Fire & Marine	1.60	38¾	32½	33¼
Honolulu Cons. Oil	2.00	40¼	35	39½
Hunt Bros.	2.00	26	24	25
Illinois Pac. Glass	1.50	32	20½	31¾
North American Oil	3.60	42	32⅛	39¼
Paraffine Common	6.00	108	84¼	108
Schlessinger "A" Common	1.50	26¾	22½	25¾
Shell Union	1.40	29	23⅞	29
Southern Pacific	6.00	109¼	96¼	107½
Sperry Flour	...	61½	28	51⅛
Spring Valley Water	6.00	108	100	103½
Standard Oil of Calif	2.00	62⅛	52⅝	60⅞
Union Oil Associates	1.99	67	36⅝	53½
Union Oil of Calif	2.00	66¼	37½	52
Union Sugar Common	2.00	29½	20½	21
United Oil Co	3.00	80	56	78½
Yellow Cab	0.80	10⅝	9	9½
Zellerbach Corporation	1.50	28½	24½	27¾

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